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## CONTENTS

Vol. 41. No. 9

February 25th, 1928

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<b>INVESTMENT AND BUSINESS TREND</b> .....	747
The Secret of Farm Prosperity. By Hon. Wm. M. Jardine, Secretary of Agriculture, as told to Theodore M. Knappen .....	749
Federal Reserve Policies and the Stock Market. By A. T. Miller .....	752
Will Television Revolutionize Business Practice? By Gormley Penton .....	754
Can Small Corporations Compete Profitably with Large Corporations? By George C. Williams .....	756
The Facts About Investing in Foreign Securities—Part 2. By Basil C. Walker .....	760
<b>BONDS</b> .....	
Investment Scope of Savings Banks Too Narrow. By Victor G. Grant .....	762
Reflex of Lower Earning Trend in Seaboard Bonds. By Arthur M. Leinbach .....	764
Bond Buyers Guide .....	765
<b>INDUSTRIALS</b> .....	
Dividend Prospects for Leading Industries .....	766
Steel Industry on Uptrend .....	767
Sugar Faces Chronic Problem of Overproduction .....	768
Larger Output for Auto Industry .....	769
Future of Tires and Accessories .....	770
Large Supplies Hamper Oils .....	771
Mining Industry in Improved Position .....	772
Opportunities in Miscellaneous Specialties .....	773
Strong Financial Condition of Equipments .....	774
Leather and Shoe Industry Improves .....	775
Union Tank Car Company. By Max Halpern .....	776
Preferred Stock Guide .....	777
<b>RAILROADS</b> .....	
Canadian Pacific. By G. F. Mitchell .....	778
<b>PUBLIC UTILITIES</b> .....	
Natural Gas Industry as a Field for Investment. By Gordon M. Davis .....	780
<b>BUILDING YOUR FUTURE INCOME</b> .....	
Reserves .....	782
How to Analyze Your Investment Holdings .....	783
Buying a Home and Paying for It Out of Current Income. By V. C. McKenzie .....	784
Income Insurance for Teachers and Others .....	786
Income Tax Department. Conducted by M. L. Seidman .....	788
Answers to Inquiries .....	790
New York Stock Exchange Price Range of Active Stocks .....	796
Securities Analyzed in this Issue .....	799
Important Dividend Announcements .....	799
Magazine of Wall Street's Common Stock Price Index .....	800
Bank and Insurance Department .....	808
New York Curb Market .....	810
San Francisco Stock and Bond Exchange .....	812
Market Statistics .....	814
Bonds Called for Redemption .....	815
Important Corporation Meetings .....	822

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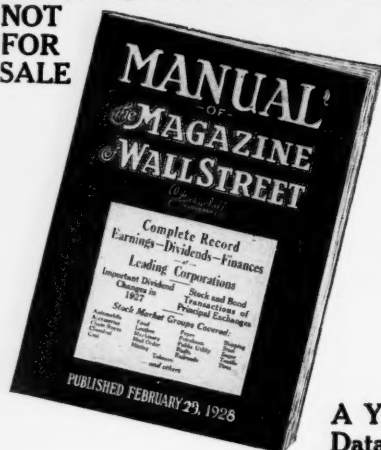
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By publishing this Manual in February it is possible for us to include the Annual Reports of a large number of corporations as well as preliminary annual statements. This book will be of tremendous help to every business man and investor throughout the coming year in making their investment and trading selections. Among other important features are:

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by E. D. King.  
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Bond Market Range for 1927.  
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### BONDS—

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Review of Unlisted Bonds.

One hundred tables and charts illustrating basic conditions in each industry and fully detailed tables giving leading companies' earnings, financial position, etc., over a period of years. The charts and tables in this year's Manual are especially important, as 1927 is added, thus giving you the statistical data over the last few years. Practically every company of importance, whether listed or unlisted, is included. The data gives the investor a complete record of the growth or decline of practically every leading corporation, which will enable him to determine the real trend of the company's affairs.

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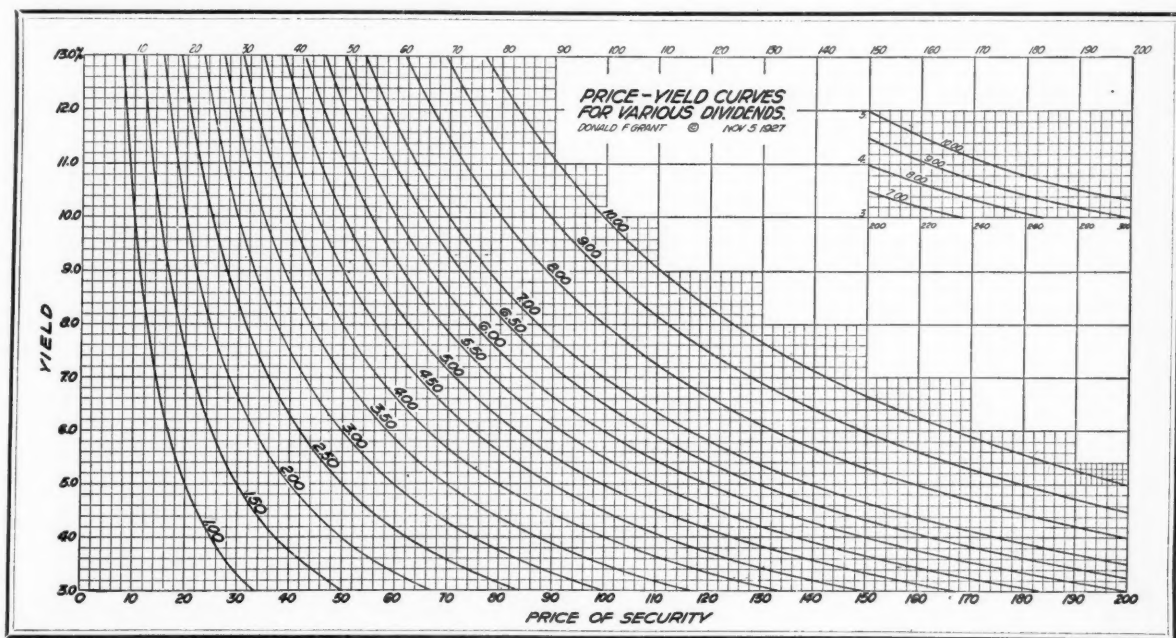
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## WITH THE EDITORS

# A Convenient Way of Determining Yields

**W**E take pleasure in publishing the accompanying chart, devised by Mr. Donald F. Grant of Yale University. This chart enables the investor to determine yields on securities at a glance. The curve represents the dividend and the figures at the bottom of the chart represent the price at which the stock is selling. At the side of the chart are given the figures which indicate the yield. The intersection between the perpendicular line marked by the price of the stock and the curve of

the dividend line marks the exact yield, which can be had by comparing the point of intersection with the yield figure given on the left. Suppose the price of the stock is 75 and the dividend \$4, first find the price of the stock at the bottom of the chart and then draw an imaginary line until the price of the stock meets the \$4 dividend curve. At that point draw an imaginary line running left until it meets the yield figure. The result will be 5.333%. A little practice will enable you to rapidly arrive at the yield on almost any stock.



## Publication Date of Our 1928 Manual Changed to February 29th

### Important Notice

In order to make our 1928 Manual of the greatest possible value to subscribers, we have changed the date of issue to February 29th.

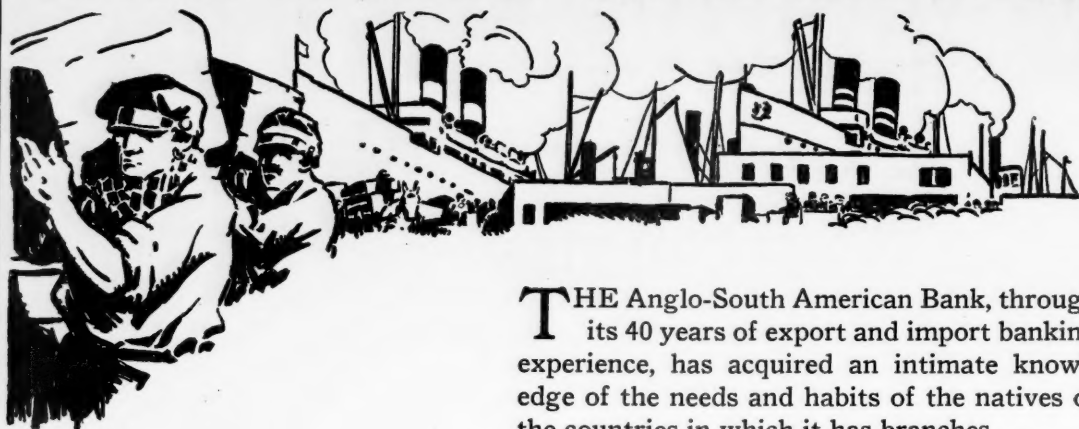
This will enable us to include the reports of many important corporations which have been delayed beyond the usual time of release and would, therefore, have had to be omitted from the Manual had it been published as of February 18th, 1928.

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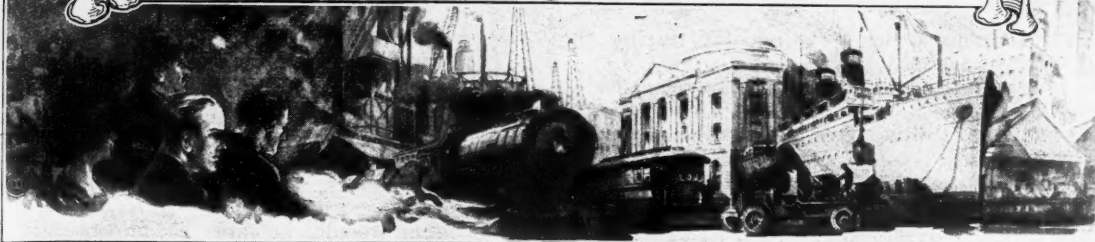
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## INVESTMENT & BUSINESS TREND

*Increasing Specialization in Market Movements—The Business Situation—Public Utility Investigation—Position of Railway Securities—Bonds and the Money Rate—The Market Prospect*

**I**N view of the general uncertainty regarding the stock market future, it seems well worth calling to the attention of investors the truly revolutionary change in the fundamental character of the market itself which has taken place since the war. There is no longer a market in the old sense—that is, a market which moved as a whole in a given direction for a considerable period of time. Similar to the London Stock Exchange, which lists several thousand stocks, representing corporations in all types of activities and engaged in business in all parts of the world, the New York Stock Exchange has become a real market place in which the buyers and sellers of the world come together to transact their business.

There are now over eleven hundred separate stock issues listed on the Exchange and with the admission of foreign shares combined with future domestic listings, the total list will undoubtedly swell to over two thousand issues. These aggregate stocks represent a diffusion of commercial and financial interests tending more than ever to break the market down into hundreds of component issues moving independently. Such tendencies, of course, have become a characteristic of the market in recent years but in the future they will become intensified to a much greater degree.

This makes the problem of proper security investment, at once a more difficult and yet a more feasible thing. The investor to a far greater degree than formerly will be immune to general market movements in

which, through some general situation, the good as well as the bad stocks were carried down to levels below their value. At the same time, the complexity of issues available to him makes the problem of discrimination all the more acute. Hence, he must be exceptionally careful to purchase issues on their individual merits, without too much regard to general market considerations. If he concentrates on this problem, his results should be satisfactory. In a market of present and future dimensions, the influence even of leading stocks is likely to become diminished. This may affect the speculator who buys or sells on general market appearances but should be of inestimable value to the student who deals in securities on an individual basis, testing each security by sound investment principle.



### BUSINESS CONDITIONS

**P**RESENT business trend seems upward. The chief barometer is steel in which there is an unquestioned advance, both in prices and production. Demand for steel products has reached surprising proportions in the brief period of the past month. Steel operations for the leader have increased from about 65 to over 80% with similar results for the independents though on a somewhat lower level. Price advances for steel have been sufficient to bring about a respectable margin of profit and the outlook is for substan-

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tial earnings for this industry during the first half year.

Similar conditions are not as yet reflected in other basic industries, car loadings, for example, still being on a disappointingly low level. Automobile production has not yet reached its stride. However, the indications are, as judged by steel conditions, that other industries will soon follow in line. It is impossible to gauge the extent of recovery at this time, but there seems little question that general industrial conditions during the next few months will represent an improvement over the final quarter of 1927.



### PUBLIC UTILITY INVESTIGATION

THE forthcoming Congressional investigation into the ownership of electric light and power companies, to be conducted by the redoubtable Senator Walsh of Montana, is likely to end in about the manner of most Congressional investigations; that is to say, there is likely to be a great deal of discussion and little real accomplishment. Senator Walsh, in a recent statement, has sought to allay the public's fears that drastic action against the public utility companies is intended, except, so the impression is, in "flagrant" cases. The public utility companies, on the other hand, have stated that they will withhold no information required and that they will enter the discussions in a public spirited manner. In the meantime, public utility securities have recovered from their temporary lull and are evidently saying that there will be little practical effect so far as the forthcoming investigation is concerned. In any case, there is little need for concern on the part of security owners. From a distance, it would seem that Senator Walsh is about to commence to unscramble an egg which very few want to have unscrambled.



### RAILWAY SECURITIES

THE flood of recent poor railroad earnings reports have offered a sufficiently depressing picture to exert some effect on railway shares. With but several exceptions, representative stocks are now quoted at prices from ten to twenty per cent lower than their peaks of a year ago. From present indications, there are few signs of a turn in earnings until early Spring, but the shares have accomplished a great deal toward discounting the situation. Many of the issues, from a yield basis alone, are decidedly attractive.

### BONDS AND MONEY

THE successive increases in the rediscount rate of various Federal Reserve banks and the tightening of money have naturally had an effect on bond values. The average for high-grade issues is now a trifle less than one per cent under the recent peak. This result, however, is negligible and attests to the underlying demand for issues of this type from institutional buyers. Middle-grade issues have not fared so well, especially the railway group which have been under the combined depressing influence of lower earnings reports and higher money rates. Some of the more speculative issues have had some fairly appreciable declines.

In general, however, the bond list seems to have adjusted itself more or less to the changed money situation and a further general decline of proportions seems improbable. New issues are being floated on an imposing scale and the demand from the public seems about as insatiable as at any time in the past few years.



### COMMODITY PRICES

FOR the first time in about two months, commodity prices have shown an irregular tendency with declines, on the whole, predominating. From the low of 1927, as shown by the Bradstreet Index, prices rose 9.2 per cent until February first when they declined three-tenths of one per cent. Compared with last year's average, prices are about 8% higher. The strongest groups at present are hides and leather, building materials and miscellaneous products. Declines are noted among such important groups as textiles, metals, coal and chemicals. Changes in commodity prices are not likely to be large, the situation evidently having stabilized itself. Conspicuous features among the commodities are steel which has been quite strong and petroleum which is still in the doldrums. A significant development perhaps is a slight tendency toward firmness in gasoline rates, probably a forerunner of price advances as the open season approaches.



### MARKET PROSPECT

A DETAILED review of the position and outlook for the stock market, including an analysis of Federal Reserve Bank policies in relation to the market, will be found on page 752.

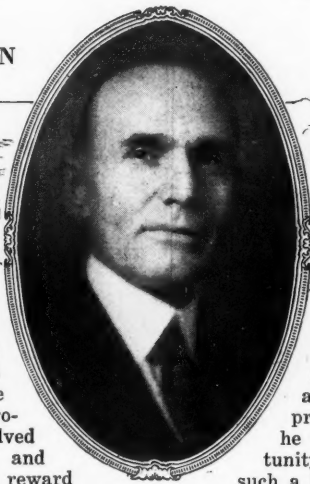
# The Secret of Farm Prosperity

By HON. W. M. JARDINE

Secretary of Agriculture

As told to THEODORE M. KNAPPEN

How a Lasting Cure May Be Found  
for Low Agricultural  
Returns



THE stone that is needed to complete the arch of enduring prosperity in the United States is that of a permanently prosperous agriculture. Our manufacturers have solved the problem of efficient production. Many of them have solved their particular problems of distribution, and they are now organizing to win the great reward of a continental adjustment of sales and distribution on a scientific basis—a reward that the Department of Commerce tells us may be not less than eight billion dollars. I am confident that within the next decade our men of business will effect improvements in their merchandising methods that will be comparable to the progress already made in productivity.

All this superlative efficiency of manufacturers and urban commerce will fall short of its reward if an equilibrium of exchange is not effected by a corresponding improvement of agricultural trade. Indeed, it may even defeat itself, for the mills of production must run irregularly and the streams of trade flow intermittently, if the great circle of exchange is weak or broken in the farm sector. We are coming to understand more and more that prosperity depends upon purchasing power throughout the circle, and that depends upon an integral economic structure that provides fair exchange. If exchange is not fair at some point it becomes weaker and weaker and the circle finally snaps. If the farmers, over a considerable period, do not receive as much as they give, the time comes when their ability to give declines and eventually vanishes—and with it vanishes their ability to receive. Then ensues a period of harsh readjustment, out of which, with much travail, issues finally a period when the scales lean toward the farmer. Then the old story of gradual recession of agricultural prosperity begins over again. Just now the farmer is coming to the top again, but a short, or even a long, period of compensatory advantage will not cure the fundamental evil.

## The Lasting Cure

The lasting cure can be found only in bringing big business to the farmer, or the farmer to big business. It can only be found in a rational control by the farmer of the factors that determine price—for upon price depends equality of exchange. When I mention as one alternative of cure the bringing big business to the farmer, I vision a possible extension of corporate big business into agriculture. It is already in agricultural commerce to a very large degree—as in meat packing, grain and cotton merchandising, fruit handling, etc.

Big business in the form of corporate farm ownership and operation is not an evolution that appeals to me. I vastly prefer that the farmer should come to big business. That is, I would have him become an integral part of big business instead of big business becoming him. That I believe is the goal that we are slowly, blindly and stumbingly working toward. The attainment of that goal

means that the farmer will attain independent bargaining power—that he will be a powerful seller—that he will intelligently control and adapt production, with a view to a certain equilibrium between his products and the demand for them; and that he will intelligently avail himself of the opportunity to trade self-reliantly and shrewdly that such a balance will endow him with.

Large-scale business—mass marketing—should help to reduce the margin between producers and consumers.

These margins are often enormous, as when you pay 12 cents for a grape fruit that brings the Florida grower 2 cents.

## Where Methods of Big Business Are Needed

A wide margin between producer and consumer does not necessarily mean exorbitant middlemen profits or even gross inefficiency of middlemen operating under the present system. In particular instances it may mean both. At any rate, wide margins are a challenge to business initiative. It should be possible to apply the methods of big business to a wider field of distribution. While we have important examples of efficient processors and dealers, I am convinced that larger competitive concerns would in many cases reduce the margin to the advantage of both producers and consumers. Producers should enter this field with large organizations for mass marketing, i. e., apply methods of big business to their marketing problems. By this method they should be able to reduce the margin.

Here are some figures showing the percentage of the consumer's dollar received by the producer for various farm products. These figures are based on studies at different places in recent years:

Commodity	Per cent of consumer's dollar paid to producer
Apples .....	24
Cranberries .....	54
Milk .....	43-48
Potatoes .....	31-47
Onions .....	26-28
Oranges .....	28-51
Lemons .....	21-44
Bread .....	15-19
Wheat products .....	35-40
Cotton goods .....	15-20
Butter .....	71.5
Beef .....	58.
Beef and by-products .....	71.
Meal, all kinds .....	55-60
Eggs .....	55-60

When the final buyer pays too much and the primary producer receives too little, there is created a mutually destructive relation; a relation, indeed, that is widely disintegrative. If the consumer pays too much for his food

he has less with which to purchase other goods, and thus all trade is adversely affected. Correspondingly if the farmer gets little or nothing, the area of his buying is depressingly restricted. At those occasional times when the farmer, by reason of fortuitous scarcity, now has the advantage, the demoralizing tendencies are still at work on the other end, and more so.

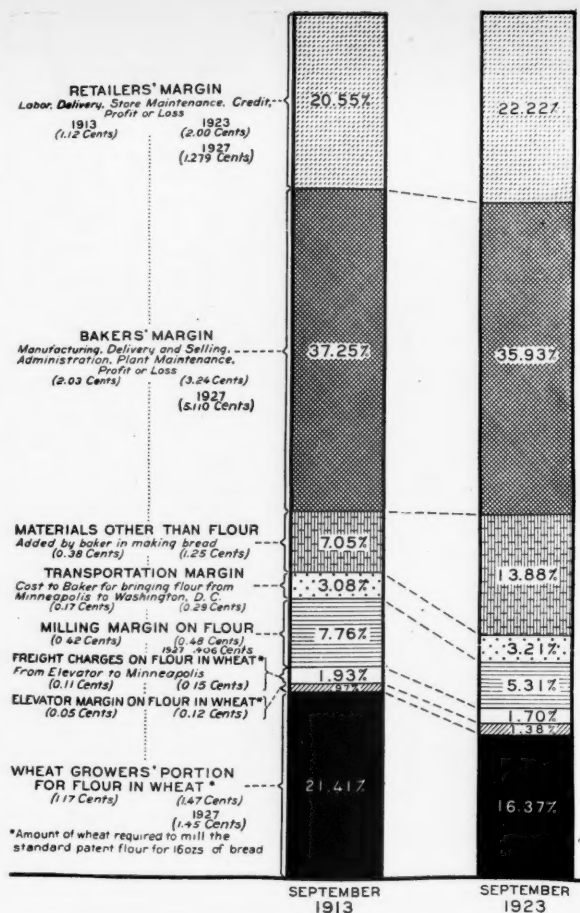
### Farmers Bear the Burden

The meat packer may and does make but a small profit on his turnover from each steer but he gets it almost automatically through his success in adjusting the whole machinery of manufacture and distribution to give him his stable share. The intermediate buyers and commission men get their compensation too, as mechanically as a gas meter collects for the gas company. The retailers garner their fairly stable margin of gross profit, no matter what happens to the market. Finally, the hotel and restaurant add their bit or chunk, and collect it without leave of the consumer, the producer, or anybody but themselves. Again, so largely do a comparatively few ultimate buyers of cattle—I mean packers—mobilize the demand for meat when converted into buying power—that they are, perhaps, able to pare something off what you might call the economic price to the farmer.

The farmer is the buffer, the springs, the shock-absorber, of the whole economic succession from the day the steer leaves the feedlot or the range until it is savory steak on your table. If effective desire or circumstances give any one in the chain more than his ordinary proportion the additional amount is apt to be pushed back along the line until it comes out of the farmer's share. On the other hand, if something happens to increase prices at the receiving end, or somewhere along the line, the bulge moves very slowly back to the farmer, if at all.

I mean no captious fault-finding with the various service agencies that connect the farmers with the consumers. They perform indispensable services to the community—just as indispensable in this complex modern world as those of the original producer. The speed and precision of the correlating processes they have built up between producer and consumer are marvelous. I am merely dwelling on their success in obtaining remuneration for their services to emphasize my conviction that the farmer can profit from their example and find a way to introduce some degree of assurance of steady profit into his own business. That a correction of the present inequitable situation of the farmer may necessitate his taking over some of the steps in the distribution of his products and making other changes, constitute no indictment of the men who are now operating the distributive machinery. Such a course will be merely the application from the farmer's side of the same principles of economy and efficiency that are now so effectually applied from the opposite side.

The industrial laborer has been fully as successful as the business manager and the capitalist in obtaining a rather



**THE FARMER AND THE LOAF OF BREAD**  
(Based on the retail price of a one-pound loaf of bread in Washington, D. C.)

fixed share of the annual wealth production of the country. Organized labor has succeeded in maintaining wages with indifference to all ordinary ups and downs of industry. Even in the face of falling commodity prices labor has maintained or increased its reward. Like increased or maintained business profits, the comparative stability of labor's pay tends to curtail the farmer's share—for, in general, the latter takes what is left, instead of being a free agent in contributing to the allocation of his share. The success of labor in increasing its actual wages, in spite of the great rise in price levels during the past ten years, and in holding its wage-rate in the face of commodity price recessions of the last two or three years, is undoubtedly a step in the direction of social advance and sustained prosperity, if it does not result in unbalance. The farmer has no desire to pull labor down. He only wishes to pull himself up to labor and capital. By imitating their big business methods—and organized labor is also big business—he hopes to bring himself up and smooth out inequalities in the partition of the national income.

Big business has its strong, intelligent and efficient grip on the process of feeding and clothing the nation everywhere but at the beginning—at production of the raw material. The farmer owes it to himself and he owes it to the nation to get the strong hand of big business into his end of the national alimentation series. But it needs to be his own big business hand, for it would be disastrous to his independence, which is dear to him and priceless to the nation, if allied groups sprung from the cities, were to bring the whole commissariat of the country under their control and direction, no matter how efficient. The human and inevitable tendency of such a unification of direction is to leave the farmer with the small end of the wealth he assists in creating. Farmers used to think that big business was necessarily bad because it was big. No longer is that so. Now farmers realize that big business maybe a good thing just because it is big.

### An Uneven Distribution

We have an apt illustration of the way one-sided control works out in the increasing proportion of national income that goes to city dwellers. It is calculated by one authority that the national income for 1927 was \$10,000,000,000 more than for the preceding year. The farmers got about \$300,000,000 of that. According to the ratio of their numbers to the whole population, the farmers should have had a gain of \$3,000,000,000 instead of \$300,000,000. I don't think there can be any argument over the opinion that prosperity would have been greater in volume and more widely diffused if the farmers had had that \$3,000,000,000.

By adopting the methods of big business, by learning from Wall Street, the farmers can exercise a voice in determining prices and allocating their percentage of the re-

turns from each product and from the total national income. It is customary to say that while it is easy to organize a few big industrial producers, the organization of 6,500,000 farmers is beyond all possibility. Well, they never will be entirely united into common organizations, but that is not necessary. All that is required is organization carried to the point of leadership.

The wheat-pool farmers of Western Canada are now handling about 50% of all the wheat grown in the prairie provinces, the amount being some 200,000,000 bushels; and that, in turn, is about equal to the entire United States spring wheat crop. You might call that big business, with reasonable accuracy. The cooperating farmers seem to be doing very well in the matter of prices, with control of half the crop. In 1926 the pool price was fixed at \$1.45. For 69 days of the crop year the open market price ranged lower than that, but during that time 200,000,000 bushels, over 56% of the entire crop, was sold, of which 120,000,000 bushels was non-pool wheat. On the other hand, while the price was ranging at the top—from \$1.58 to \$1.70—which was for several weeks, the unorganized farmers sold only 4% of their wheat, and less than 12% of the unorganized crop was delivered in the 201 days when the price did not fall below \$1.51.

We have on this side of the international line many cooperative organizations which have achieved merchandising success in a large way. A Minnesota creamery selling cooperative did a business of more than \$46,000,000 last year and you can find its butter everywhere. Such farmers get their share! There are more than 150 cooperatives in the United States that handle each a business of more than a million dollars a year. Their history shows that control of a large volume of the product is essential to successful bargaining. Big buyers like to deal with big sellers. It also shows that the large cooperatives must have their business directed by skilled business men; not farmers, but big business marketing specialists. There is some apprehension that when big cooperative business are developed and managed by non-farmer specialties the "dirt" farmer may be pushed into the background, but I am confident that we

can build up huge cooperative businesses that will not get away from us in respect to ultimate control.

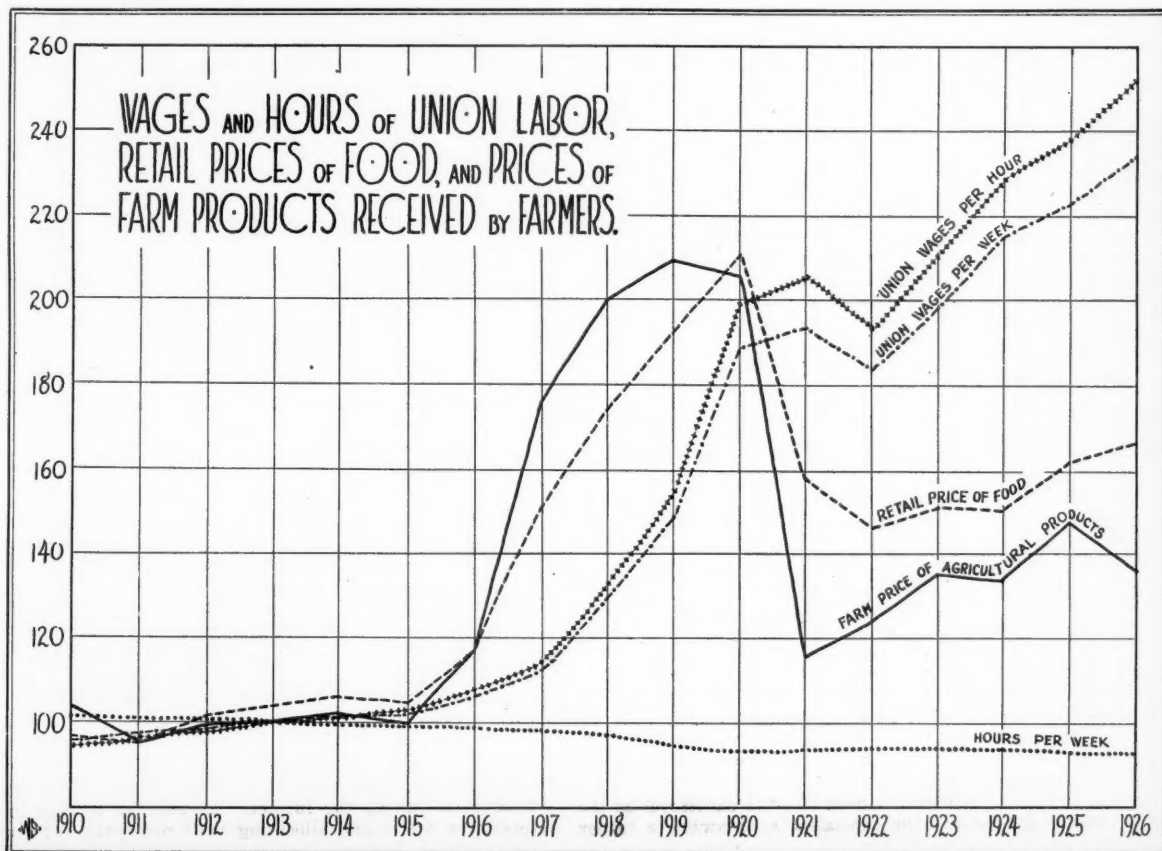
The farmer is right in line with the manufacturing industries in availing himself of engineering advance and scientific knowledge. His productive efficiency keeps well abreast of that of the urban workers. From 1920 to 1925 the number of work horses and mules on the farms decreased by 1,250,000 and the number of tractors increased from 246,000 to 506,000. Motor trucks and automobiles have come in large numbers; more than 21% of the automobiles of the country are on the farms. The increase of mechanical power on the farms in these five years was probably five times as great as the decrease in animal power. Crop acreage and people on farms decrease but crops increase. The combine harvester, marching eastward from the Pacific coast states, is working a revolution in wheat raising. One combine harvest hand now does the former work of four men, and the labor problem is thus solved on many farms. As a result wheat farms grow in size and their number decreases. In 1926 the cotton sled or stripper came into the cotton production picture, particularly in Texas and Oklahoma, and it and other improvements make it probable that cotton can be raised with a profit in the southwest in even the years of lowest prices. With a stripper one man can pick as much as eight to ten can pick by hand.

The lessons of biological science have been wondrously applied in the improvement of the productivity of plants and animals.

But our farmers are finding that even maximum productivity is not enough.

He is helpless who enters the commercial arena with much that he must sell and little knowledge of how to sell it.

We must match mass production with mass selling. There is no other way out. Success in doing that will spell such continuity and stability of prosperity as rural commerce has never known. It will also constitute a major contribution to steady and widely diffused prosperity throughout our whole economic complex.



# Federal Reserve Policies and the Stock Market

*What Raising the Rediscount Rate Means*

By A. T. MILLER

OUT of the fog of news reports on the recent raising of the rediscount rate by the Federal Reserve banks, certain impressions emerge. The most definite is that the advance in the bank rate may be construed, in effect, as a mute acknowledgment by the Federal Reserve Board authorities that their reduction of the rate last autumn was a blunder.

If their purpose in raising the rate at the present time is to place a curb on stock market speculation, it must be realized that in lowering the rate a few months ago they unleashed the speculative forces which they are now attempting to halt. Hence, in this sense, they may be considered responsible for the situation which has provoked their recent action.

## Two Goals

It is apparent, of course, that Federal Reserve policies by the very nature of things have been compelled to oscillate between two apparently irreconcilable goals, the first being to enable Great Britain and other Continental countries to stabilize their fiscal position, and the second, to apply the brakes to stock market speculation at home. In assisting European financial recovery, it naturally seemed incumbent on the Federal Reserve executives to lower the home bank rate and thus permit flow of funds from here to foreign centres. At the same time this policy, as was seen last autumn, precipitated abnormally low money rates at home with the result of fostering an unparalleled speculation in stocks since last October. Furthermore, through its policy of purchasing Government securities, the Reserve Board enlarged credit facilities, thus magnifying the abundance of credit for speculative purposes.

In the past few weeks, the Board has reversed its policy both in respect to Government security holdings, having disposed of several hundred millions, thereby drawing off an equivalent amount in credit, and in respect to the rediscount rate. A majority of the banks are now on a 4% basis against the recently prevailing 3½%. It is expected that before long, all the Reserve banks will be on a 4% basis, making this rate uniform.

In restricting the credit supply, however, the Federal Reserve authorities must be cognizant of the possibility of undoing some of the good they may have done abroad in regard to supporting foreign financial policies. One of the immediate effects of the rise in the bank rate was a temporary depression of sterling. Although recovery shortly ensued it is by no means impossible that further unfavorable repercussions may be felt in this and other foreign exchanges. At the same time, it is decidedly likely that the gold export movement which has recently been on a very large scale will be converted into an import balance which, of course, should have an ultimately strengthening effect on our own credit position.

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*THIS article should be helpful to investors who have been attempting to interpret the policy of the Federal Reserve Banks and its effect upon the security and money markets. It explains the salient points of the situation and gives conclusions as to the future course of stock prices.*

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The new Federal Reserve policy may be interpreted as having two aims, the first being to restrict the credit supply in order to curb speculation in securities, and the second to afford accommodation for growing commercial purposes. It is probably felt that an excessive amount of credit is presently being employed in the stock market and that the additional amount beyond that required for legitimate purchase and sale of securities should be reserved for ordinary industrial and commercial purposes.

That there is some warrant for believing that demands for commercial loans will increase to a certain extent is indicated in the increase in industrial activity now taking place in such important industries as steel and automobile. If the stock market consumed that portion of credit in urgent need by industrial requirements, the effect would be to nullify the promise of better business conditions to come. The money, in other words, must come out of the market. This presumably is the attitude of the Federal Reserve Board, a position that is not illogical when it is realized that, as shown by brokers' loans, there has been an increase in collateral loans in the New York market amounting to over one billion dollars in a year's time. It is apparently the intention of the Federal Reserve authorities that this inflation in security loans be reduced appreciably before the promise of business improvement becomes an actuality.

To summarize briefly, then, the Federal Reserve authorities have completely reversed their policy in regard to increasing credit facilities; they are evidently determined on increasing credit supplies for business purposes at the expense of the stock market, and they have set about accomplishing this result through sale of Government securities and increasing the rediscount rate. It may be assumed they have at least temporarily abandoned their position of "helping out" the central banks of foreign nations.

## Will the New Policy Succeed?

In operating in this manner, the Federal Reserve Board, of course, is conducting itself in line with its inherent functions as a "governor" of credit conditions. It cannot in itself create a credit situation which is not the result of economic forces but it may, over brief periods particularly, exert a very formidable influence over the credit machinery. This is the situation in which it finds itself at the present time.

The real question is whether the board will succeed in regard to its policy of curbing market speculation. A study of precedent may serve to answer this question. Since 1923, exclusive of the recent increase, the Federal Reserve Board has raised the rediscount rate on four occasions, namely, February 21, 1923; February 25, 1925; January 8, 1926, and August 13, 1926. The sequel to each increase proved a stock market recession of substantial

THE MAGAZINE OF WALL STREET

proportions except on the occasion of the increase of the rate in August, 1926, which had the effect of keeping the market within bounds, though not producing a break.

In each case, the market temporarily ignored the significance of the rediscount rate advance, the momentum toward continued speculation for the rise evidently being too strong an influence to check immediately. Nevertheless, the ultimate effect, generally in evidence within a few weeks after the first bank raised its rate, was a decline in prices.

It may be argued from these cases then that raising the bank rate is a formidable weapon toward curbing stock speculation. The present is no exception. The fact that speculators chose for a brief interval to ignore the summons to halt their activities merely emphasizes the efficacy of the Reserve Bank's check.

There are two distinct considerations. One is that the halt to stock speculation is likely to occur in the more or less immediate future. The second is that cessation of speculation for the rise may develop despite multiplying evidences of improvement in the business situation.

## Pool Stocks

Despite the sharp decline in stock prices arising from the raise in the rediscount rate and the market's own internal condition, it does not necessarily follow that the entire market will continue to decline. In the first place, the speculation which has been conducted in recent months, for the most part has been confined to highly volatile issues, standard investment issues having been relatively sedate. In fact, an entire group of investment stocks, the important railroad issues, have been suffering from persistent liquidation entirely independent of the general market. In the recent decline, then, those issues that have suffered proportionately the greatest are those which have enjoyed the greatest speculative activity during the past few months. Issues of this type are generally of the pool-nurtured variety and hence have been the most dangerous to hold. It is not insignificant that undoubtedly a large part of the billion dollar increase in brokers' loans is tied up in speculative stocks of this type. If these issues are thoroughly liquidated during the market decline, the result would be to bring about a very substantial decline in brokers' loans which in itself would be symp-

tomatic of genuine rectification of the situation which the Reserve authorities are determined upon controlling. At such a point, the market no doubt will be in a healthier condition than for some time.

The raising of the rediscount rate has already brought about a technical correction of substantial proportions. Since, however, the underlying business situation is sound and conditions are improving, it seems likely that this recession will prove only temporary. Hence, the Federal Reserve Board is likely to meet with only a temporary success; but this in all probability is its real objective, it being inconceivable that the Board would be permanently opposed to speculative activity.

## In Closer Touch With Realities

Until the corrective development is completed, generalizations about future market movements would be fatuous. It may be expected, however, that when the technical situation has been repaired, the prices of individual issues will be based on conditions in the particular industries. Up to the present, the market has not chosen to consider such a plain fact as earnings but in a more normal market atmosphere this prime fundamental will be given the emphasis it so manifestly deserves. In that case, stocks whose companies show improvement in earnings are likely to advance, whereas those representing companies whose earnings are poor and not likely to improve will undoubtedly reflect their prospects in the form of lower prices.

One of the most encouraging features of the present situation is that while the speculative urge of the public has been very decided, the prevalent atmosphere is calculated to instill a greater sense of conservatism than has been prevalent for the past year or so. Such sentiment is helpful since it tends to offset the reckless speculative spirit which recently dominated less experienced speculators.

Generally speaking, the market should conduct itself more in line with actual trade developments than it has done at any time in the past two or three years. In other words, a market noted for unusual selectivity may be anticipated during the coming year. Probably the safest opportunities may be found in two general market groups: first, issues in depressed industries and which have been thoroughly liquidated (such as the oils, railroads, coal stocks, etc.), and, second, sound issues which for special reasons are selling out of line with others of their groups.



Raising the Rate

# Will Television Revolutionize Business Practice?

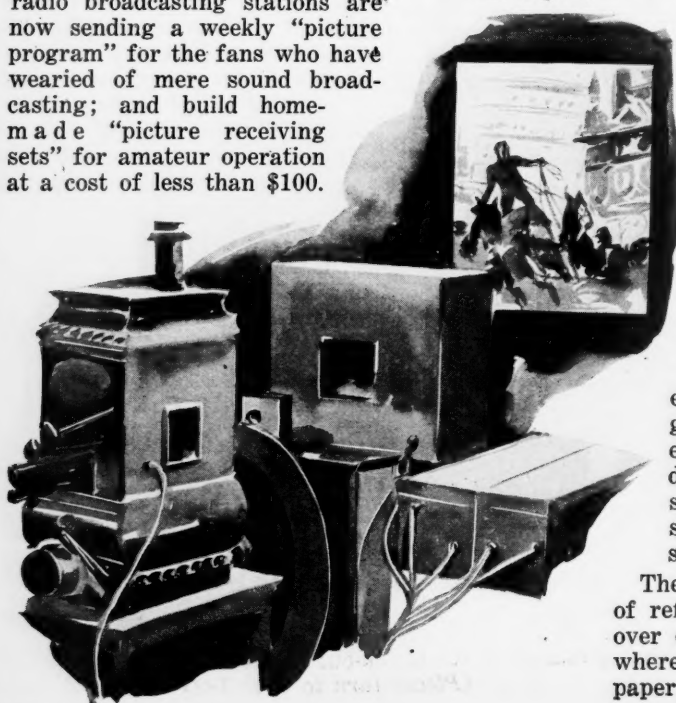
*Practical Use of "Picture by Wire" Services by Business Men—Effect on Moving Picture Companies*

By GORMLEY PENTON

WHEN Graham Bell gave "ears" to American business, about a half a century ago, he made it possible for industry to operate at the tremendous pace that today makes the whole world gasp. Now Graham Bell's successors in scientific research have given "eyes" to business through the successful development of television and telephotography. How will these new devices affect business methods?

Efficient means of quick communication is one of the outstanding features in America's notable record of commercial achievement. In each one of its major branches,—telephone, telegraph, radio and air mail—the world's standards of efficiency and service have already been established. And American business men, always quick to take advantage of new mechanical aids to efficiency, have already found numerous ways of exploiting the latest "picture by wire" services.

While, no doubt a large portion of the population is unaware of the existence of these facilities, progressive business executives are speeding up their operations through the dispatch of photographs, documents, advertisements, code messages and printed bulletins from one large city to another over telephone wires. Several Eastern radio broadcasting stations are now sending a weekly "picture program" for the fans who have wearied of mere sound broadcasting; and build home-made "picture receiving sets" for amateur operation at a cost of less than \$100.



The transmission of "still photographs" over telephone or telegraph wires has been established on a commercial basis by the American Telephone & Telegraph Company. The service is available at a comparatively low cost in most of the large cities of the nation. Television—the dream of inventors for many generations—is an accomplished fact. As the name implies, television is the projection of vision into distance. Its development to date, like the projection of the human voice by Graham Bell fifty years ago, is at a rather crude experimental stage.

## *The First Demonstration*

However, last year an audience gathered in the Bell Laboratories in New York City, listened to a short talk by Secretary Hoover in Washington and at the same time "saw" the Secretary; first on a small ground glass plate attached to a complicated receiving apparatus, and later thrown on a large screen. Those who witnessed the demonstration affirm that the reproduction was "a little worse than the first moving pictures" but, withal, an actual accomplishment of a scientific dream for ages.

The same organization which brought telephonic communication to its present high state of efficiency is now working on refinements in television which one may assume will ultimately put the transmission of sight over vast distances on a commercially successful basis.

Both telephotography (the transmission of photos, documents, etc., by wire, usually called telephoto) and television will lend themselves to commercial use but along quite different lines. They are only distantly related in operation, principle and purpose. From the technical standpoint, the former is comparatively simple. The object that is to be reproduced at the other end of the wire (or radio station) is photographed and placed on a cylinder. Varying electric impulses which correspond with the dark and light portions of the photograph are sent over a wire and are reproduced on a similar moving cylinder at the receiving station.

The process has been improved with a number of refinements since the first pictures were sent over electric wires several years ago to a stage where today the reproduction on photographic paper is hardly distinguishable from the original

photograph. As any object that can be photographed may be sent as a picture through this device, its commercial uses are manifold—new uses are found for telephoto constantly. The largest users of telephoto at present are newspapers and publications which require pictures on hand at the moment of going to press. Also due to the necessity of meeting press schedules, advertisers have frequent occasion to send intricate "layouts" for publication at the last moment, when there was no time to wait for mail delivery.

### *Commercial Importance*

That telephoto is destined to play a prominent role in ordinary business methods is pretty well forecast by the many uses which enterprising business executives have already found for it. A business man in Chicago considers a proposition offered him by a firm in New York, whose representative discusses the broad features of the deal over the long distance telephone. However, the detailed considerations appearing in a standard form contract must be satisfied; but there is not time to mail the contract form between the two cities. The contract is photographed and transmitted by television, all within a few hours following the phone conversation. Or, the legal staff of a corporation is pressing its case in the San Francisco courts and find that they are blocked because certain affidavits are missing. A brief adjournment is arranged, during which time the affidavits are photographed and sent by wire.

Heretofore, business practice was limited in the matter of instant communication to word-of-mouth communication by 'phone, or printed matter by telegram. Both are essential to the pace at which American business concerns operate. Now that limitation has been extended. This business man has a means of immediate transmission of his documents. At one time business concerns hesitated to adopt such "new fangled" methods as doing business over the telephone. In its infancy, of course, there is the same objection raised about telephoto. But it is no longer a transgression to adopt progressive methods in business, and the impetus that telephoto will give to an already rapid pace of business procedure is a foregone conclusion.

### *Picture Broadcasting*

In much the same way that telephoto has proved to be a useful companion piece to the telephone, it is quite likely that "picture broadcasting" will become an important companion piece to sound broadcasting over the radio. At the present time, picture broadcasting is in the "ear-phone stage," or in other words, developed only about as far as radio broadcasting was ten years ago when a few stations were operating for the exclusive entertainment of a small number of amateurs who owned home-made ear-phone receiving sets.



Still, it is well beyond the laboratory experimental stage, for at this moment two Eastern broadcasting stations, WEAf and WOR, are sending a picture program over their regular wave lengths every week. These pictures are being received in the homes of officials of the several companies interested in WEAf; and a handful of amateurs in the Metropolitan district, who have constructed home-made receiving apparatus according to specifications furnished by the Newark broadcasting station, in conjunction with one of the radio magazines.

These are not "radio movies," but reproductions of "still" photographs. Radio broadcasting of pictures is more of a novelty at present than anything else, but so was the broadcasting of entertainment programs not so many years ago. Today, there are some five million receiving sets tuned in to the evening radio programs and from the original plan of mere entertainment, a new advertising medium has been established of considerable commercial importance. The new technique of picture broadcasting has already been perfected to a degree that bulletins, pamphlets, news slips or other important or interesting documents can be broadcast over approximately the same radius that ordinary radio broadcasting now covers.

### *Radio Movies*

Several of the companies which have interested themselves in the development of picture receiving sets are said to be in a position to place hundreds of thousands of such sets in the homes of radio enthusiasts in short order, should a popular demand develop for programs of this type. Within the next several years, it is not unlikely that the "news pictures" of the knock-out blow that creates a new  
(Please turn to page 792)

# Can Small Corporations Compete

By George C. Williams



HE immensely important subject discussed in this article is engaging the attention of all America. The question is being asked whether our small business organizations can compete profitably with the very large ones? Will the small corner merchant be driven out of business by the mammoth chain store. Can the small manufacturer of agricultural implements compete with the vast corporations which are sitting astride of the field? The automobile industry is witness to the steady elimination of the small company. The moving picture industry also tells a story of concentration of capital into the hands of a few powerful corporations.

In order to dig deep into the roots of this situation, we intend to throw open our pages for a discussion which, we trust, will result in clarifying some of its more difficult phases. In the present article, the author states the results of his statistical investigation. In succeeding issues we hope to publish the views of our readers. Certainly no subject can be more interesting or important to the rank and file of business men than the question of whether or not they will be able to meet the growing formidable competition of great organizations.

In 1914, there were 271,822 manufacturing establishments with an output of about 24 billion dollars but in 1925 there were only 187,390 establishments with an output of 62 billions. It is clear that competition is cutting down the number of the smaller concerns though the total dollar value of production is increasing, mostly, however, at the expense of the small business and to the advantage of the large scale corporation. The author maintains that the small business cannot compete profitably. What do our readers think about it?—*Editor.*

According to 1925 income tax statistics<sup>1</sup> 196 corporations reported more net income than 425,603 corporations.

Eighty-seven per cent of the total 1925 corporation

net income of \$7,621,055,602 was reported by 4,469 corporations.

Over 41 per cent of all the corporations filing 1925 tax returns reported deficits. An additional 25 per cent of all the corporations reported net incomes of less than \$2,000.

The total 1925 deficit of \$1,962,628,095 reported by 177,738 corporations exceeded the net income of \$1,442,823,322 reported by 232,346 corporations showing net incomes of less than \$50,000.

These and other interesting facts are shown by Table I.

In the mining and quarrying industry 12 corporations reported approximately two times the net income (less deficit) reported by 19,151 corporations. In the agriculture and related industries 1 corporation reported more net income than the net income minus deficits of 9,903 corporations. Other interesting facts will be found in Table II.

The Revenue Laws prevent the Treasury De-

Table I  
Distribution of Corporation Returns According  
to Size of Net Income

1925 Income Classes	Per Cent of Total	Number of Returns	Net Income	Per Cent of Total
Under \$2,000.....	25.21	108,447	\$96,859,748	1.27
\$2,000 to \$5,000.....	11.94	51,334	162,780,292	2.14
\$5,000 to \$10,000.....	6.76	29,067	207,812,825	2.73
\$10,000 to \$25,000.....	6.87	29,533	477,066,018	6.26
\$25,000 to \$50,000.....	3.25	13,965	498,304,439	6.54
\$50,000 to \$100,000.....	2.15	9,249	646,218,517	8.48
\$100,000 to \$250,000.....	1.46	6,270	966,671,837	12.67
\$250,000 to \$500,000.....	.51	2,200	765,259,354	10.04
\$500,000 to \$1,000,000.....	.27	1,156	788,857,128	10.35
\$1,000,000 to \$5,000,000.....	.21	917	1,876,242,787	24.62
\$5,000,000 and over.....	.04	196	3,097,610,752	40.65
Reporting Net Income.....	58.67	252,334	\$9,583,683,697	125.75
Reporting Deficit.....	41.33	177,738	(1,962,628,095)	25.75
Net Income less Deficit.....	100.00	430,072	(a) \$7,621,055,602	100.00

Note: (a) As the actual net income differs very little from the above taxable net income the taxable net income of \$7,621,055,602 has been used for the purposes of this article. Dividends from domestic corporations also excluded from above figures as dividends represent distributions of corporate income.

Total as above.....	\$7,621,055,602
Add: Exempt interest not taxable.....	519,846,442
	\$8,140,902,044
Less: Taxes not deductible.....	1,170,331,206
Actual Net Income.....	\$6,970,570,838

<sup>1</sup> Source: Treasury Department, United States Internal Revenue Bureau, Statistics of Income from Returns of Net Income for 1925.

# Profitably With Large Corporations?

## An Analysis Exhibiting the Most Vital Trend in American Business Today

partment from making public the names and amounts of net income of taxpayers. If the identity of the 196 corporations reporting net incomes of \$5,000,000 and over were known the characteristics of these largest corporations could be studied. An examination of the available financial reports of several thousand corporations resulted in Table III which contains the name and amount of the 1925 and 1926 net income of almost every corporation reporting net incomes of \$5,000,000 and over.

The net income of all these corporations can be ascribed primarily to efficient large-scale production. The economies of large scale production, administration and distribution effected by these large corporations are important income producing factors. If it were not for the economies of large-scale business many of the above corporations doubtless would appear with the thousands of other corporations reporting deficits.

Generally speaking, it is absolutely impossible for most of the smaller corporations to compete with efficient large-scale organizations. A large corporation in many instances profitably sells a product to the consumer at a price that is less than what the product costs the smaller corporation to produce. About the only time thousands of small corporations make a profit is when the prevailing retail price offered for a product is abnormally high and the large-scale corporation makes excess profits. Many examples of this high price condition can be found during the war period. Most smaller corporations continue in business and lose money with the vague hope that another war will occur or some other abnormal condition will cause the price of their product to go up to where they will be able to operate at a profit.

During the years 1920 to 1925, inclusive, an average for each year of 170,372 corporations filed tax returns which indicated a total deficit for this period of over \$14,000,000,000<sup>1</sup> or almost equal to the present national debt of \$17,975,000,000.

Arguments are sometimes advanced that these small corporations are essential to competition. Competition is alright if it is not wasteful. Furthermore, a small corporation that loses money offers very little if any competition to a large-scale corporation. It will only be possible for small unprofitable corporations to continue to exist for the purpose of offering supposed competition to the large corporations as long as there are investors who are willing to suffer losses of several billion dollars a year.

It certainly is not the intent of the investors of capital in small corporations to get only in return the satisfaction of knowing that their corporation is giving competition to large-scale corporations. Real competition can only exist as a general rule between corporations of like size, viz., General Motors vs. Ford Motor Company. The small corporations are their own competitors and

Table II  
Classification of the 196 Corporations According to Industry and a Comparison with All Other Corporations

Industry	All Corporations Reporting Net Incomes Under \$5,000,000 or Deficits		196 Corporations with Net Incomes Over \$5,000,000	
	No.	Net Income	No.	Net Income
Manufacturing .....	88,579	\$2,054,707,026	95	\$1,646,395,647
Mining & Quarrying .....	19,151	78,061,470	12	165,581,744
Agriculture & Related Industries	9,903	(1) 4,818,622	1	22,465,623
Construction .....	15,337	106,703,521	1	6,441,194
Transportation and other Public				
Utilities .....	23,559	442,281,824	54	891,666,421
Trade .....	109,576	842,674,713	12	123,865,137
Public Service-Professional,				
Amusements, Hotels .....	28,979	155,062,303	2	19,137,607
Finance-Banking, Insurance and				
Related Business .....	115,928	845,546,805	19	222,057,379
Combination-Predominant Indus-				
try not Ascertainable .....	5,320	5,181,923	..	.....
Nominal Corporations .....	13,544	(1) 1,956,113	..	.....
All Corporations .....	429,876	\$4,523,444,850	196	\$3,097,610,752
	196	3,097,610,752		
	430,072	\$7,621,055,602		

(1) Deficit

<sup>1</sup> Source: Statistics of Income, 1921-1925, inclusive, Bureau of Internal Revenue.

(1) *Source*—Statistical Abstract of the United States, 1926.

(2) *Source*—*Statistics of Income, 1925*—Bureau of Internal Revenue.

758

duction will go a long way towards securing to owners of coal mining properties an adequate return on their \$2,000,000,000 investment and solve many of the serious problems now confronting the coal industry.

In the agriculture and related industries, the International Harvester Company with its large scale production made more net income than the 9,903 other corporations. Ford Motor Company and General Motors Corporation are excellent illustrations of the advantages of large-scale production in the automobile industry. The large New York City banks that are successors to many smaller banks indicate what large-scale business will do in the banking industry. According to 1925 tax statistics<sup>1</sup> the 5 largest rubber corporations reported a total net income of \$80,506,317 compared with \$28,518,091 (net income less deficit) reported by 613 other corporations engaged in the manufacture of rubber and rubber goods. F. W. Woolworth Company, S. S. Kresge Company and the Great Atlantic & Pacific Tea Company indicate possibilities of large-scale business in trading.

<sup>1</sup>Source: Statistics of Income, 1925, Bureau of Internal Revenue.

There exist almost unlimited possibilities in every industry for advantageous mergers and consolidations. We are passing into a new era of large-scale business and small concerns that fail to note this tendency will in time be eliminated. The fact, as shown in Table I, that 4,469 corporations or approximately 1 per cent of all the corporations in the United States reported during 1925 a total net income of \$6,527,970,021 of the total 1925 net income minus deficits reported by all corporations amounting to \$7,621,055,602, clearly indicates the advantages of large-scale corporations over small-scale corporations.

Hardly a day goes by without an announcement of some new merger or consolidation. A few years ago corporations the size of the United States Steel Corporation, American Telephone & Telegraph Company and the National City Bank were thought impossible. It can safely be predicted that the number of large-scale corporations will rapidly increase with a corresponding decrease in small corporations.

This is true not only because business men them-  
(Please turn to page 809)

## to Industries of 196 of Our Largest Corporations (In Millions of Dollars)

	Net Income	
	1925	1926
<b>Transportation—(Continued)</b>		
Union Pacific Railroad Co. . . . .	\$38	\$41
Southern Pacific System . . . . .	36	39
Norfolk & Western Railway Co. . . . .	27	37
Southern Railway Co. . . . .	23	24
Chesapeake & Ohio Railway Co. . . . .	20	29
Baltimore & Ohio Railroad Co. . . . .	21	28
Great Northern Railway Co. . . . .	21	26
Chicago, Burlington & Quincy Railroad Co. . . . .	21	24
Michigan Central Railroad Co. . . . .	(1) 19	19
Louisville & Nashville Railroad Co. . . . .	(2) 19	19
Northern Pacific Railroad Co. . . . .	18	21
Atlantic Coast Line Railroad System . . . . .	18	17
Illinois Central Railroad Co. . . . .	18	17
Reading Co. . . . .	17	19
Delaware, Lackawanna & Western Railroad Co. . . . .	14	18
Chicago & Northwestern Railway Co. . . . .	11	12
Cleveland, Cincinnati, Chicago & St. Louis Railroad Co. . . . .	11	11
Lehigh Valley Railroad Co. . . . .	8	10
Missouri Pacific Railroad Co. . . . .	8	9
Wabash Railroad Co. . . . .	8	8
Chicago, Rock Island & Pacific Railway Co. . . . .	7	12
Duluth, Missabe & Northern Railway Co. . . . .	7	8
Cincinnati, New Orleans & Texas Pacific Railway Co. . . . .	7	5
Erie Railroad Co. . . . .	7	10
Pittsburgh & Lake Erie Railroad Co. . . . .	7	8
New York, Chicago & St. Louis Railroad Co. . . . .	6	8
New York, New Haven & Hartford Railroad Co. . . . .	7	8
St. Louis-San Francisco Railway Co. . . . .	6	7
Perre Marquette Railway Co. . . . .	6	8
Boston & Maine Railroad Co. . . . .	5	7
Delaware & Hudson Company . . . . .	5	8
Prairie Pipe Line Co. . . . .	15	14
Pullman Company . . . . .	14	14
	\$630	\$729

Notes: (1) Controlled by New York Central System; (2) Controlled by Atlantic Coast Line.

<b>Public Utilities</b>		
American Telephone & Telegraph Co. . . . .	\$101	\$113
Standard Gas & Electric Co. & Affiliated Companies . . . . .	33	71
Consolidated Gas Co. (N.Y.) . . . . .	31	36
American Power & Light Co. & Subsidiaries . . . . .	23	26

	Net Income	
	1925	1926
<b>Public Utilities—(Continued)</b>		
Cities Service Company . . . . .	\$ 22	\$ 27
North American Co. & Subsidiaries . . . . .	19	27
Commonwealth Edison Co. . . . .	16	18
Western Union Telegraph Co. . . . .	15	15
Middle West Utilities Co. & Subsidiaries . . . . .	14	23
Public Service Co. of New Jersey . . . . .	10	13
Philadelphia Company . . . . .	(1) 10	(2) 10
Columbia Gas & Electric Co. . . . .	8	26
American Gas & Electric Co. . . . .	8	13
Southern California Edison Co. . . . .	8	9
Pacific Gas & Electric Co. . . . .	8	9
Detroit Edison Co. . . . .	8	10
United Gas Improvement Co. . . . .	8	9
United Light & Power Co. . . . .	8	8
Brooklyn Edison Co. Inc. . . . .	7	7
American Light & Traction Co. . . . .	7	8
Commonwealth Power Co. . . . .	5	7
<b>Total . . . . .</b>	<b>\$379</b>	<b>\$475</b>

Notes: (1) Included Standard Gas for 1926; (2) Merged Columbia Gas for 1926.

### Banks and Trust Companies

National City Bank . . . . .	\$ 14	\$ 16
First National Bank of N.Y. . . . .	12	12
Bankers Trust Co. . . . .	8	9
Chase National Bank . . . . .	8	8
Continental & Commercial Natl. Bank of Chicago . . . . .	7	7
Bank of Italy . . . . .	7	9
Central Union Trust Co. . . . .	6	9
American Exchange Irving Trust Co. . . . . (1) Est.	5+	5+
Equitable Trust Co. (1) Est.	5+	5+
Guaranty Trust Co. (1) Est.	5+	5+
Title Guarantee & Trust Co. . . . . (1) Est.	5+	5+
National Bank of Commerce . . . . .	5	6
Chicago Title & Trust Co. . . . .	5	5
	\$92	\$101

Notes: (1) Net income estimated—actual figures not available.

### Insurance Companies

Metropolitan Life Insurance Co. . . . . (a)	\$ 18	\$ 18
New York Life Insurance Co. . . . . (b)	12	12
Prudential Insurance Co. of America . . . . . (c)	11	11
Mutual Life Insurance Co. (d)	8	8
Equitable Life Assurance Society of America . . . . . (e)	7	7
	\$56	\$56

Note: Very little data available as to net income of insurance companies. Above net incomes estimated, using as basis 1923 or 1924 income tax payments as follows

- (a) 1924 tax payment \$2,234,422
- (b) 1924 tax payment \$1,523,233
- (c) 1924 tax payment \$1,350,993
- (d) 1924 tax payment \$ 891,566
- (e) 1923 tax payment \$ 757,433

	Net Income	
	1925	1926
<b>All Other Industries</b>		
Union Carbide & Carbon Co. . . . .	\$ 20	\$ 24
Eastman Kodak Co. . . . .	18	20
Curtis Publishing Co. . . . .	16	15
International Shoe Co. . . . .	13	13
Pittsburgh Plate Glass Co. . . . .	12	10
Procter & Gamble Co. . . . .	10	12
U. S. Gypsum Co. . . . .	8	8
Famous Players Lasky Corp. . . . .	6	6
United Realty & Improvement Co. . . . .	6	6
Texas Gulf Sulphur Co. . . . .	6	9
Loew's Incorporated . . . . .	5	6
The Owens Bottle Co. . . . .	5	6
Hearst Publications, Inc. . . . .	5	5
	\$130	\$140

### Summary of All Industries

Number of Corporations	Net Income	
	1925	1926
23 Steel & Metal Products . . . . .	\$316	\$367
4 Electric Products . . . . .	75	84
12 Automobiles & Parts . . . . .	373	394
5 Rubber Products . . . . .	68	36
17 Food Products . . . . .	160	168
5 Tobacco Products . . . . .	75	80
20 Oil Production & Refining . . . . .	525	499
8 Metal, Mining & Smelting . . . . .	95	101
3 Chemicals . . . . .	52	73
10 Trade . . . . .	116	125
36 Transportation . . . . .	630	729
22 Public Utilities . . . . .	379	475
13 Banks . . . . .	92	101
5 Insurance . . . . .	56	56
13 All Other Industries . . . . .	130	140
196	\$3,142	\$3,428

Note: The above 1925 net income of \$3,142,000,000 compares favorably with the total net income of \$3,097,610,752 for 196 corporations as shown by 1925 tax statistics.

# The Facts About Investing in Foreign Securities

Investing Abroad Under American Management

By BASIL C. WALKER

Note: This is the second and concluding instalment of "The Facts About Investing in Foreign Securities," the first instalment having appeared in the February 11 issue. We suggest that readers who have not as yet seen the first section of the article, secure a copy of the issue in which it appeared. The subject is of the highest importance and the author, we believe our readers will agree, has done ample justice to it.

**E**ARLY in the history of countries like Great Britain and the Netherlands, their limited areas and peculiar topographical and climatic conditions forced a considerable part of their people into seafaring and its various outgrowths, principal among which were foreign trade and colonizing.

We, on the other hand, are only just beginning to realize that vast as is the area of the United States, we can, with profit, develop business relations beyond our own country. Note that even now a very substantial part, probably more than a majority of our population, still consider foreign trade as a very pleasant supplement to domestic trade, whereas to an equally large percentage of the populations of the countries under discussion, foreign trade is absolutely vital.

Under these conditions the British and the Dutch naturally turned to the formation of *home companies*, primarily engaged in foreign trade. From this it was a logical and easy step to the formation of *home controlled foreign companies*. There was nothing artificial or stimulated about it; it was a natural growth along lines of mutual economic need and a natural expression of the overseas genius of the people.

Up to the very eve of the Great War, British and Dutch capital played a very big part in the opening up of our own West. And here is a point, the significance of which cannot be too greatly stressed at this particular occasion.

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***THIS article offers a suitable background of information to investors interested in foreign securities. It is particularly enlightening and valuable as indicating the conditions under which investments in foreign enterprises may be made on a sound basis. Its emphasis on the desirability of American management in such enterprises is worth noting.***

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## **Economic Necessity**

The British bankers did not in the first instance make especially heavy purchases of the bonds of foreign and colonial companies, for the simple reason that there were no companies to issue these bonds in newly developed territories until a substantial equity capital was procured from somewhere, and it usually came also from the old country. This is not to say that British investments were not made in the more developed countries and in bonds and notes, for they were. However, a great part of British and Dutch capital went to America, both North and South, to the British and Dutch colonies and to the Orient for opening up countries still economically young and undeveloped.

As has been said, sheer economic necessity forced development along these lines, although good judgment was certainly used in learning the lessons of experience and in the building up of vast overseas interests. Their experienced judgment and success of today was often dearly bought and paid for, so that there is no need to be either unduly discouraged or hypercritical if in our progress along the same road, we also at times make some errors.

Having in mind this historic background to the development of European security markets for enterprises situated in other parts of the world, is it to be expected that our own markets will reach a similar position almost overnight? It certainly does not ap-

pear to be a reasonable expectation, but this is not to say that we shall not have in the near future a quite substantial representation of foreign securities on our share lists in the New York market. It may possibly come about in ways somewhat different from those at present in our minds. For instance, the shares of the company to which reference was made at the beginning of Part I in this series as not being listed on the New York Stock Exchange have since been listed on and traded in on the New York Curb Market. Also shares of an Austrian Company have been actually listed on the New York Stock Exchange.

## **Foreign Outlets**

As a matter of fact there are many foreign interests already represented on the New York Stock Exchange's lists. America has not been a seafaring nation, but we have become the leading exponents of mass production. Probably we and the Germans share the leadership of the world in the successful working out of large scale business administration, and, for the time being at least, we have certain marked advantages over the Germans.

The tremendous size of some of our great industrial corporations has compelled them to seek foreign markets for a part of their output and some of them also require large quantities of foreign raw materials in the manufacture of their products. The intense competition in productive efficiency which is as much a national genius with us as turning to the sea or colonizing has been with other nations has already begun to exercise its influence on the growth of our relations with the outside world.

Although they may not yet all realize it, the stockholders of such corporations as United States Steel, General Motors, United States Rubber Company, the American Tobacco Company, Westinghouse Electric & Manufacturing Company, Anaconda Copper Mining Company, American Smelting &

Refining Company and General Electric Company (to mention only a few) already have a very substantial interest in foreign markets and economic conditions. All these corporations have a large export trade, many have very large investments in foreign plants, mines, rubber plantations, sales organizations, fleets of steamships and other property in foreign parts and all of them have stock listed and actively traded in on the New York Stock Exchange.

In addition we might mention International Telephone & Telegraph Corporation; Patino Mines & Enterprises, Consolidated, Inc.; American & Foreign Power Company, Inc.; Atlantic, Gulf & West Indies S.S. Lines; United Fruit Company and the Cuba Company as a few examples of other stocks listed on the New York Stock Exchange, whose business is wholly or very largely dependent on or identified with foreign countries and conditions. Here we see clear evidence that we are ourselves well advanced along the stage previously described as that of investing in home companies primarily engaged in foreign commerce and industry.

Several of our large banks have offices in foreign countries and handle many millions of dollars worth of foreign drafts and acceptances in the course of financing both exports of American products to foreign countries and the purchase of foreign products for use in the United States. Although often not thought of in this way, the stockholders of these

banks are actually engaged in furnishing American capital for foreign investment,—short time investment it is true, but a substantial movement of capital none the less.

### Advance in Preliminary Stage of Foreign Investment

Measured in terms of aggregate values, we probably are already further advanced in these preliminary stages of foreign investment than were countries like Great Britain, the Netherlands, France and Germany at similar stages of their careers.

All this shows that in a multitude of ways we have already placed huge sums of American capital abroad not only as "rentiers" (makers of long term loans), but as proprietors and in channels having a very direct benefit to American industry. The problem still remains of finding an outlet for still more American capital in foreign enterprises, in channels equally beneficial to American investors and to the nation's industrial and commercial life.

At this point it may be pointed out that our foreign investments are never likely to result in a shortage of funds for domestic business having a legitimate need of capital. Capitalists, large and small, are much more generally distinguished for their caution than for their boldness and enterprise. Consequently, as things at

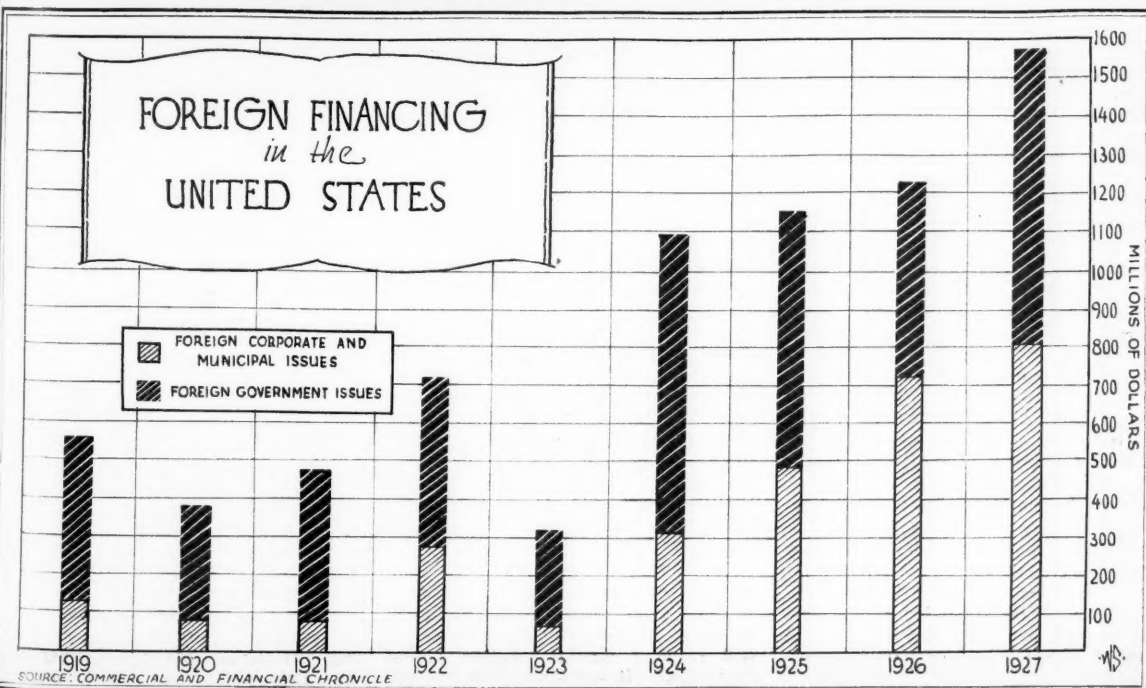
home always seem a bit easier to watch, the normal instinct of self-preservation will always cause investors to prefer home investments to foreign, other things being equal. To overcome this preference, in the long run, foreign investments must at least hold out a greater possibility of profit or a larger income than will be demanded from domestic investments of comparable grade.

### American Managing Companies

For this reason a commendable trend in our foreign investment is the development of American management and holding companies for foreign companies. Four of the companies previously cited as examples of American investment in American companies engaged primarily in foreign enterprises are to a greater or less extent examples of this last type of company.

It is essentially a domestic corporation, but it places its stockholders' funds in the junior (and presumably most profitable) securities of foreign companies. Where this can be done in such a manner as to secure also the substantial investment of foreign interests, while leaving either the absolute corporate control or the management control to the Americans, we secure what appears to be one of the most desirable forms of direct foreign investment open to American investors.

The investment trust which owns a (Please turn to page 811)





# Investment Scope of Savings Banks Too Narrow

Proposed Bill Before N. Y. State Legislature Would Widen Savings Banks Investment Powers—Present Law Antiquated

By VICTOR G. GRANT

## Typical Public Utility Bonds Legal for Savings Banks in Massachusetts

Issue	Recent Price	Yield
American Tel. & Tel. Co. Collateral Trust 5s, 1946.....	105	4.81%
New York Telephone Co. First & Gen. Mtg. 4½s, 1939.....	102	4.24
Brooklyn Edison Co. Gen. Mtg. Series A 5s, 1949.....	106¾	4.77
Cleveland Electric Illuminating Co. First Mtg. 5s, 1939.....	106	4.30
Consumers Power Co. First Lien & Ref. 5s, 1936.....	104½	4.31
Kansas City Power & Light Co. First Mtg. Series A 5s, 1952.....	105	4.65
N. Y. Gas, Elec. Lt., Heat & Pr. Co. Pur. Money Mtg. 4s, 1949.....	98	4.15
Southern California Edison Co. Gen. Mtg. 5s, 1939.....	104½	4.48
Syracuse Lighting Co. First Mtg. 5s, 1951.....	106¾	4.53
Western New York Utilities Co. First Mtg. 5s, 1946.....	105	4.55

**T**HE New York State Legislature, now in session, will be called upon soon to answer the question whether the laws governing the investments of mutual savings banks in this State should be so amended as to include the mortgage obligations of electric, manufactured gas and telephone companies. The question is one which has been agitated with more or less persistence for the past ten years and, in view of its importance to more than four and a half million savings bank depositors in this State, and of the influence any action taken by the New York State Legislature will have upon other States which regard the New York law as a safe criterion upon which to base their own statutes, it will be interesting to submit the question to an impartial examination and review.

### New Economic Factors

That a revision of the law is urged with such vehemence in some quarters admittedly interested, should, in all fairness, be disregarded in any attempt to develop the pertinent and fundamental factors affecting the entire question.

Fundamentally, it should appear obvious that with a portion of the law dating back more than fifty years, and even the more recent portions antedating the economic and financial condi-

tions of the present time, some revision of the statutes are in order. That at least a partial revision would be desirable, if not necessary, is evident from an examination of the present requirements effecting the eligibility of municipal bonds. This section of the law, enacted in 1876, excludes the obligations of communities whose net funded debt, after deducting water works and other self-supporting properties, exceeds 7% of the assessed valuations, or whose population is less than 45,000. Considering that the practical method of evaluating real estate for tax purposes, fixes a value sometimes as low as 40% or 50% of the real value of the assessed property, it is obvious that the practical effect of this clause is to limit the debt to as low as 3½% of the total real wealth of the community involved. Thus, the obligations of some of the greatest, wealthiest and most stable American communities are excluded, the City of Philadelphia constituting a very striking example.

### Seek Rail Amendment

It is contended that those provisions of the law which effect the eligibility of railroad bonds likewise suggest revision. For example, a condition of eligibility is that a railroad shall have

paid dividends of not less than 4% during the next preceding five years. This clause, obviously, was framed at a time when the earnings statements and financial report of the railroads of the United States, far from presenting the uniformity which they do today, not only differed widely but were even suspected of failing to reflect the actual conditions and results which they purported to report. Under the circumstances, it was but natural, it has been contended, that the requirements respecting earnings should have been based, not upon the published reports, but upon the more tangible evidence offered by the actual payment of cash dividends. Only this evidence of surplus earnings affording a margin of safety for the bonds of these roads, was deemed acceptable.

### A New Standard Practicable

Under present conditions, however, the absolute uniformity of reports is an accomplished fact which has been brought about through the supervisory functions of the Interstate Commerce Commission, and the veracity of railroad financial reports no longer is subject to the slightest suspicion. The actual payment of dividends, therefore, has lost its importance, since the real factor of surplus earnings, after in-

terest charges, can be readily ascertained. It might even be held that the retention of such earnings by the roads would constitute a greater safeguard to the bondholders than their disbursement in the form of dividends, and the conclusion suggests itself that the provision requiring the payment of dividends should so be changed that eligibility would depend rather on earnings, whether disbursed or retained by the corporation.

True, these considerations have no bearing upon the question of eligibility of public utility bonds. They do serve to indicate, however, it is the contention of those sponsoring revision, that the present law is an anachronism and that relief should be afforded, at least to the extent of recognizing some of the more glaring cases of obsolescence in its provisions. Whether a case can be made for the mortgage obligations of electric, gas and telephone companies, is another story.

Perhaps it would be well to examine the financial and economic considerations upon which the urgent demands of savings banks officials of this State for some form of relief are predicated. In 1910 the combined deposits of the mutual savings banks of New York were reported at \$1,760,017,000. In June, 1927, the deposits of these banks stood at more than \$4,000,000,000, an increase of more than 115% in sixteen years. The combined savings deposits of the State, including the savings deposits of state banks, trust companies and national banks, in 1910, stood at \$1,825,291,000, and in June, 1926, exceeded \$5,900,000,000. In 1910 the funded obligations of the United States Government were somewhat less than \$1,000,000,000; by 1920 they had grown to more than \$26,000,000,000, and a substantial portion of this debt was in such form as to be available for savings banks and other institutional and trustee investments.

The sustained advance in urban real estate values during the past decade, have militated to off-set the subsequent reduction to about eighteen billion dollars registered in the outstanding obligations of the United States Government, and thus, in some measure, it is contended, has enabled the savings banks profitably and safely to invest their assets. The situation in the real estate field, however, is not now regarded with uniform satisfaction. The question is now openly discussed whether the possibility of a decline in value does not emphasize the need for caution in the further expansion of such investments. At the same time, obligations of the United States

Government are being retired at the average rate of approximately \$1,000,000,000 a year. Legal railroad bonds show no increase in their aggregate outstanding amount if, indeed, they do not show an actual decrease for the past two decades.

Where, savings banks officials ask, are the growing deposits of their institutions to be invested? Unwilling to expand their mortgage commitments in the face of a possible decline in real estate values, reluctant indefinitely to bid against each other as well as against other institutions and fiduciaries in the limited field of legal rails and municipals, balked by the continuous decline in Government obligations no less than by the low investment return afforded by this premier security, and pressed by the demand of depositors for reasonable dividends on their savings, after two successive years of failure they return to the legislature with an appeal for relief, which they are convinced can be accomplished by the expansion of the legal list to include properly secured public utility bonds.

#### Public Utility Growth

It is hardly necessary to state that public utilities of the type which furnish electrical energy, gas and telephone service are recognized today as fulfilling as great a necessity in our civilization as did the transportation systems whose bonds were made legal investments for savings banks in this and other states some twenty years ago. If any doubt exists of the economic importance of these industries

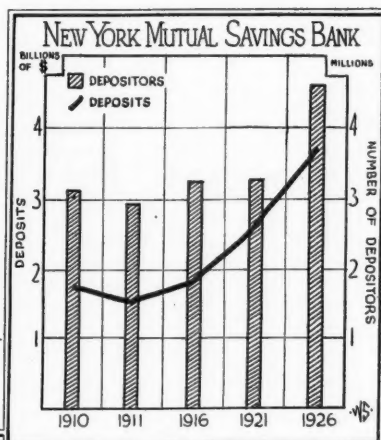
or of the importance of the service which they render, it is only necessary to consider that the electric light and power industry alone represents an invested capital of more than \$8,700,000,000, that it serves more than 21,600,000 customers including the 1,650,000 customers added during 1927, that its output in 1927 aggregated more than 79,000,000,000 kw. (a 7½% increase over 1926), that an output of more than 83,000,000,000 kw. is predicted for 1928, and that another billion dollars new capital is the estimated requirement of the industry for new construction and expansion during 1928. Compare these figures with the insignificant ones applying to the same items 25 years ago and it will be seen that, almost in their entirety, they represent new growth.

If we take the gas industry, a similar picture presents itself. Here invested capital exceeds \$4,000,000,000 and it is estimated that during the next ten years further expansion will require an additional \$2,000,000,000. While the electric light and power industry yielded gross operating revenues of more than \$1,700,000,000 in 1927, sales of manufactured gas yielded an additional \$500,000,000 or a total of more than \$2,200,000,000 for these two public utility industries alone. And as with electricity and gas, the importance of which in our scheme of civilization is evidenced on every hand, the telephone instrument, which is to be found in every place of business and in a very substantial percentage of American homes, speaks with eloquence of its importance in our economic life.

Of the opportunities for safe and profitable investment afforded in these fields, no doubt can reasonably be entertained. Operating under the jurisdiction of the various state authorities commissioned to regulate their activities, they have developed a degree of soundness and stability which can be favorably compared, as a whole, with that of the transportation systems of this country. Perhaps no more striking example can be offered of the soundness and stability of these public service corporations than their unique record of failures. In 1921, the last year during which the country suffered a rather general depression, forty-five national banks failed with total liabilities of \$28,000,000, fifteen savings

banks failed with total liabilities of \$4,500,000 and only nine electric light and power companies failed with total liabilities of only \$320,000.

Consider the factor of public necessity — consider the unique record of development (Please turn to page 804)



#### Statistics of Savings

Years Ended June 30th

	Savings Deposit N. Y. State (000 omitted)	Savings Depositors N. Y. State	Savings Deposits U. S. (000 omitted)	Savings Depositors U. S.
1910 .....	\$2,010,504	3,627,326	\$7,963,109	17,210,969
1916 .....	2,029,363	3,243,362	9,459,308	*
1921 .....	3,549,065	5,707,164	16,500,663	27,792,948
1926 .....	5,918,682	8,191,974	24,696,192	46,954,638

\*Complete Statistics not Available.

# Reflex of Lower Earning Trend in Seaboard Bonds

## Important Issues Reviewed

By ARTHUR M. LEINBACH

**I**N common with other roads serving the south Atlantic seaboard, the Seaboard Air Line experienced a marked set back in earnings during the year 1927 due to a reduction in gross revenues in too large degree to be offset by economies in operating expenses. On the basis of preliminary earnings statements, the final showing for the year will probably disclose a small net income available for the preferred stock, and nothing for the common, as compared with per share earnings on the common of \$4.70 and \$4.40 respectively, in the years 1926 and 1925.

The trend indicated by these figures bears more than ordinary interest to the company's outstanding bond issues, both because the factors responsible for the reduction in earning power are not likely to change abruptly and also because, with one exception the company's fixed income issues are not of the highest grade and are, therefore, susceptible to the current earnings trend.

A comparative study of 1927 income figures with those of the previous year suggests rather convincingly how far the company has been dependent on the Winter tourist trade to Florida and other Southern resorts for a considerable proportion of its operating revenues. During the first seven months of the year, a fair surplus for the common stock was indicated with due allowance for seasonal variation of traffic. But even as far back as August the gross revenues failed to pick-up in line with the usual expectancy and in the final four months of the year, the last possibility of a surplus for the common shares definitely vanished.

This trend of traffic revenues is, of course, a direct reflection of the passing of the so-called "boom period" of Florida's development. The present period of "normalcy" contributed considerably less to both passenger and freight traffic, and as property construction in Florida is well ahead of present needs, the latter division of operating revenues cannot be expected to show any rapid recovery to the levels experienced in the years prior to 1927.

From a practical investment standpoint, however, the passing of the Florida boom is a constructive step in the progress of the Seaboard Air Line. Some such occurrence was inevitable, and the transition of Florida from a nationally boomed real estate jobbing proposition to a soundly developing resort and agricultural state, provides a much safer foundation for slow growth in values of the company's outstanding bonds than an abnormal situation which temporarily brought large earnings into the corporate treasury. A good deal of this income has been expended in expansion and improvement, and while some of the former may not prove so profitable with lighter traffic demands at present, the improvement to road bed and the acquisition of equipment during the past few years will ultimately prove advantageous to the company's security holders.

In Seaboard Air Line's capital structure there is represented a rather wide range of selection by bond buyers from fairly high grade divisional mortgages to the speculative adjustment bonds, with medium grade general mortgage and refunding issues lying between these two extremes. The more important of these issues, in which there is current investment interest, are described below.

**ATLANTA & BIRMINGHAM**  
*Division, 4s 1933*  
*Price 94*  
*Yield, 5.00%*

**T**HIS is a comparatively small closed mortgage of less than 6 million dollars face value, which is secured by a first mortgage on 163 miles of track from Birmingham to Howells, Georgia (with trackage rights into Atlanta from Howells), in addition to a first lien on about 36 miles of spur lines, owned by the former Atlanta & Birmingham Air Line Railway, which was merged with Seaboard in 1909. The trackage mortgaged under this issue affords Seaboard Air Line an entrance into the Birmingham iron and coal territory and accordingly occupies a po-

sition of considerable importance in the system. Although listed on the New York Stock Exchange, this bond is not a very active issue, but affords a high degree of safety for the investment buyer and an income to maturity that is quite attractive in comparison with many similar underlying railroad mortgages.

**S. A. L. 1st 4s 1950**  
*Price, 82*  
*Yield, 5.40%*

**A**LTHOUGH the greater part of some 2,500 miles of track in the Seaboard Air Line system, covered by this general mortgage, is

subject to the prior liens of divisional mortgages, it also includes a direct first lien on several sections of main line, aggregating about 270 miles. Of the total amount of 40 million dollars, at which this mortgage is limited, 27 million of the bonds are pledged under the refunding 4s of 1959 described below, and the balance is outstanding. The mileage specifically included in the general mortgage of this issue is also covered by a number of divisional liens, aggregating less than 30 million dollars, however, making a total fixed capitalization represented in this mortgage and underlying liens of approximately \$28,000 per mile. While essentially a general mortgage, this bond comes immediately after divisional liens of the system and because of this position enjoys the investment rating of a well secured railroad bond of better than medium grade.

**S. A. L. Refunding 4s 1959**  
*Price, 68*  
*Yield, 6.35%*

**O**F a total authorized amount of 125 million dollars of the refunding 4s of 1959, less than 20 million are held by investors, more than 56 million being deposited as security under the company's 1st and consolidated 6% bonds described below and the balance reserved for prior liens which mature before this issue, including the 1st 4s of 1950. The security for this bond is a blanket mortgage covering some 3,000 miles of track, or about 80% of the total mileage owned by the company, either by direct mortgage lien or by collateral lien on deposited bonds of subsidiary companies. The position of the issue is still further strengthened by deposit of almost 70% of the underlying 1st 4s of 1950. A direct first mortgage on 280 miles of track, mostly in the state of Florida, is covered by the indenture as well as a first lien of over 600 miles of additional Florida lines through the deposit of Florida Central & Peninsula 1st 6s of 1923, which are held alive by the trustee as additional security for this issue. All of the mortgages, now securing the 1st 4% bonds (described above), have been assigned to the trustees and will automatically become additional security for this issue when the prior mortgage has been satisfied at its maturity in 1950. Like many other railroad refunding issues, the aggregate of mileage pledged to secure the loan, consists of so many scattered

parcels, that it is difficult to appraise the actual investment strength of the issue on the basis of this security alone. Furthermore, earnings on bonded debt during the past four years, prior to 1927, covered the interest requirements by a little less than 1½ times on the average and during 1927 by a somewhat smaller margin. The trend of earnings last year, however, seems to have been rather completely reflected in the current price level of this bond, which provides an attractive rate of income return to maturity for a medium grade railroad investment issue.

**S. A. L. 1st & consolidated 6s 1945**  
Price, 90  
Yield, 6.90%

**THIS** issue, in reality (although not in name), is an extension of the refunding 4s of 1959, fifty-six and a half million of which have been deposited as the principal security for this issue, which is more suitable to present market conditions because of its 6% coupon rate than the collateral pledged to secure it. In addition, it covers some mileage by a first mortgage lien which is not included in the prior mortgages, the most important of which is a parcel of about 260 miles which branches off from the main line at Hamlet, N. C., goes down the coast line to Charleston, joining the main line at Savannah. Although theoretically subject to the refunding 4s, it is essentially the same issue and its investment position corresponds so closely to that issue that the more detailed description appearing immediately above would apply equally as well to this issue for the purposes of the practical investor. That the yield to maturity obtainable from this issue is fractionally higher than the 4% refunding bond is a point in its favor for the investor who has learned the futility of making too fine distinctions in the field of medium grade investments.

**S. A. L. Adjusted 5s of 1949**  
Price, 68  
Yield (see text)

**THIS** issue is not at present in the investment class. It is a speculation because, under adverse conditions in the past it has not met its income payments to shareholders and further because this income is payable only when earned, although unpaid interest is cumulative and accrues for the benefit of bondholders without interest. At present there are unpaid coupons amounting to 12½% attached to the bonds, and while payments are now being made regularly, they are on account of coupons dating 2½ years back of the date of maturity. Although the income is payable only out of surplus earnings every year, the company in its discretion may make up back payments out of income or otherwise. In any event, no dividends can be paid on either preferred stock or common stock until income (Please turn to page 804)

# Bond Buyers' Guide

## Bonds for Income Primarily

	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
<b>GOVERNMENT ISSUES</b>						
Argentina 6s, 1959.....(a)	....	....	....	100%	5.98	5.97
Chile 6s, 1960.....(a)	....	....	100	93	6.45	6.52
Dominican Rep. 5½s, 1942.....(a)	6.4	....	101G	100	5.50	5.54
Haiti 6s, 1952.....(b)	....	....	100G	100	6.00	6.00
Panama 5½s, 1953.....(a)	....	....	102½G	103%	5.30	5.23
<b>RAILROAD ISSUES</b>						
Cuba R. R. 1st 5s, 1952.....	....	3.80	....	99	5.05	5.07
Central of Georgia, Ref. 5½s, 1959.....	31.1	1.74	105G	108½	5.08	4.97
Chicago & West. Ind. 1st Ref. 5½s, 1962.....	60.1	X	105	105½	5.22	5.18
Erie & Jersey, 1st 6s, 1955.....	....	1.61	115	113½	5.28	5.09
Great Northern, Gen. "A" 7s, 1936.....(b)	139.8	2.67	....	115½	6.07	4.77
Kan. City Sou., Ref. & Imp. 5s, '50.....	30.0	2.07	105A	101½	4.91	4.87
Minn., St. P. & Sault, 1st Con. 5s, 1938.....	....	1.19	....	99½	5.01	5.03
Norfolk Southern, 1st 5s, 1961.....	3.8	1.21	105	98½	5.17	5.21
Peoria & Pekin Un. Ry., 1st 5½s, 1974.....	....	2.04	105G	107½	5.12	5.07
Rock Isl., Ark. & La., 1st 4½s, '34.....(b)	....	1.53	105T	98½	4.56	4.73
St. Louis Southwestern, 1st Terminal & Unifying 5s, 1952.....	45.3	2.05	....	103	4.85	4.79
<b>PUBLIC UTILITIES</b>						
Amer. W. W. & Elec., Coll. 5s, 1934 (b).....	....	1.34	102½	100%	4.99	4.95
Brooklyn City, 1st Con. 5s, 1941.....	....	3.48	....	94½	5.30	5.32
Hudson & Manh., 1st Ref. 5s, 1957.....(b)	5.6	2.01	105	101½	4.93	4.90
Indiana Nat. Gas, Ref. 5s, 1936.....	....	2.00	....	100	5.00	5.00
Louisv. Gas & El., 1st Ref. 5s, 1952 (b).....	1.2	2.34	110T	104½	4.79	4.71
New Orleans Public Service, 1st Ref. 5s, 1952.....(b)	10.5	1.70	105T	100	5.00	5.00
N. Y. Steam Corp., 1st 6s, 1947.....(a)	....	2.05	107½GT	108½	5.53	5.31
Pacific Gas & Elec. Gen. ½ Ref. 5s, 1942.....	40.3	2.00	105T	103½	4.84	4.68
Rochester Gas ½ El., "C" 5½s, 1948 (a).....	12.5	2.08	105GA	106½	5.16	4.99
<b>INDUSTRIALS</b>						
Bethlehem Steel, P. M., 5s, 1936.....	5.1	2.20	105	100%	4.96	4.89
International Paper, 1st 5s, 1947.....	....	7.26Y	102½	101½	4.93	4.88
Mortgage Bond, 5s, 1932.....(b)	....	1.69	100	98	5.06	5.35
Schulco "A" 6½s, 1946.....(a)	....	X	103T	104½	6.22	6.10
Sinclair Pipe Line, 5s, 1942.....(a)	....	4.46	103	95½	5.25	5.46
U. S. Rubber, 1st 5s, 1947.....(b)	2.6	2.91	105T	95½	5.22	5.35

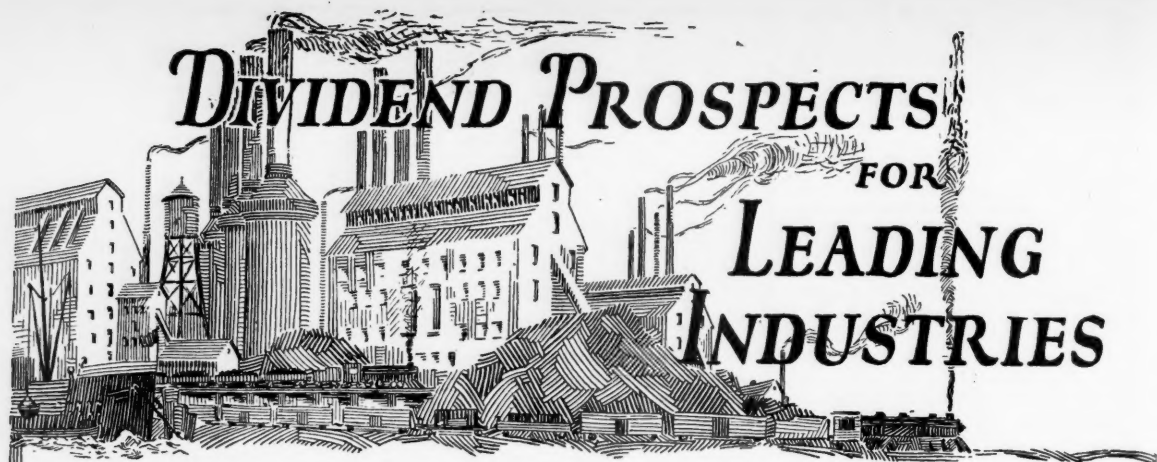
# Bonds for Appreciation of Principal

## Primarily

<b>RAILROADS</b>						
Central New England, 1st 4s, 1961.....	0.2	X	105	86%	4.63	4.83
Erie, Gen. Lien 4s, 1966.....	91.6	1.46	....	85½	4.66	4.69
Mississippi Central, 1st 5s, 1949.....(b)	....	1.36	110A	99½	5.03	5.04
Missouri Pacific, Gen. 4s, 1975.....(a)	10.4	1.28	100A	81½	4.92	5.04
New Haven, Non-conv. Deb. 4s, 1956.....	49.4	1.48	....	86½	4.83	4.90
Northern Ohio, 1st 5s, 1945.....	....	2.60	....	101½	4.91	4.84
Seaboard Air Line, Ref. 4s, 1959.....	46.4	1.25	105A	68½	5.84	6.32
Texarkana & Ft. Smith, 1st 5½s, 1950.....	....	2.02	107½A	106½	5.17	5.02
Western Maryland, 1st 4s, 1952.....(b)	2.3	1.24	....	84½	4.72	5.08
<b>PUBLIC UTILITIES</b>						
Brooklyn-Manhattan Tr., 6s, 1968.....(b)	....	1.52	105	99½	6.05	6.06
Market St. Ry., 1st 7s, 1940.....	....	2.22	106½T	99	7.07	7.12
Montreal Tram., 1st & Ref. 6s, 1941.....(a)	....	1.31	105A	101½	4.91	4.83
Sierra & San Francisco, 1st 5s, 1949.....	....	1.78	105	103½	4.83	4.74
Utah Power & Light, 1st 5s, 1944.....	....	1.97	110	102½	4.88	4.77
<b>INDUSTRIALS</b>						
B. F. Keith, 1st & Gen. 6s, 1946.....	4.8	4.16	104T	99%	6.02	6.04
Pressed Steel Car, Conv. 5s, 1933.....	....	3.30	100	98	5.10	5.46
Walworth Co., 1st "A" 6s, 1945.....(a)	....	2.73	104½T	96	6.28	6.38
Webster Mills, 6½s, 1933.....(c)	....	2.44	106½T	96	6.77	7.34
<b>SHORT TERMS</b>						
American Chain, S. F. 6s, 1933.....(a)	....	6.84	105	104	5.77	5.08
American Typo Founders, 6s, 1940.....	....	3.84	105	105½	5.72	5.43
California Petroleum, Conv. 5s, 1939 (a).....	....	11.56	103T	100½	4.99	4.96
Dodge Bros. Conv. 6s, 1940.....(a)	....	9.97	110T	90	6.67	7.23
White Sewing Machine, 6s, 1936.....(b)	....	5.60	105	†103½	5.78	5.43
<b>Gen. of Georgia Ry., Sec. 6s, June 1, '29</b>						
Sloss-Sheffield P. M. 6s, Aug. 1, 1929.....	31.1	2.11	102T	101%	5.90	4.88
	1.7	4.55	105	102	5.38	4.60

Note—All bonds in \$1,000 denominations, except (a) lowest denomination \$500, (b) \$100. Earnings are on five-year basis unless shorter basis is only one available. Where bonds are assumed, earnings of guarantor company are given.

Y—Recent earnings about 2:16 times. A—Callable as a whole only. T—Callable at gradually lower prices. G—Not callable until 1930 or later. X—Guaranteed by proprietary companies. NS—Not segregated. (c) Listed on N. Y. Curb Market. † Without warrants.



# DIVIDEND PROSPECTS

FOR

# LEADING INDUSTRIES

<p><b>Steel</b></p> <p><b>Auto and Tire</b></p> <p><b>Accessory</b></p>	<p><b>Mining</b></p> <p><b>Sugar</b></p> <p><b>Equipment</b></p>	<p><b>Petroleum</b></p> <p><b>Shoe and Leather</b></p> <p><b>Miscellaneous</b></p>
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*NOTE: We are reprinting in full the general remarks published in connection with the first section of the Dividend Forecast appearing in our last issue. This is for the benefit of those readers who may not have seen the last issue.*

The Annual Dividend Forecast of THE MAGAZINE OF WALL STREET is published as a convenient reference work to be used by subscribers and readers during the months ahead. The feature should be of especial value at this time owing to the uncertainty surrounding the prospects for business and industry during the coming year. Competent observers are fairly well divided on the business outlook for 1928 which renders the problem of dividend forecasting more difficult than ever. However, through careful analysis of the specific conditions it has been found possible to come to a basis of conclusion regarding individual companies.

The results of our analysis indicates that generally speaking the outlook is that there will not be any great change in the dividend situation with respect to leading corporations this year. Several observations may be set down. It is found, for example, that the outlook does not favor any material increase in the dividend rates now being disbursed, except possibly in the case of such industries as have labored under acutely depressed conditions during the past few years and which, for special reasons, are likely to make rapid strides this year back toward normal earning power. Also, in the case of companies whose outlook does not encourage a belief in the possibility for expansion of earnings but which have been prosperous in the past few years, it seems likely that their presently strong financial condition, so typical of many

large corporations, will stand them in good stead with respect to continuation of the dividend rates even if their earnings fall off. It seems difficult to come to the conclusion that any large number of important companies will either reduce or omit their dividends during the coming year.

It seems desirable to emphasize the point that our ratings of dividend possibilities are intended to point out *possibilities* rather than *certainities*. Although statistical proof may be offered of dividend action that may be logically expected, there is always an element which can never be forecast in advance and that is the attitude of the management toward changes in the dividend rate. A company may be in a position to raise or lower the dividend, but such action, though inherently logical, may be postponed long after it might be expected in view of special circumstances that might arise and thus influence the management's viewpoint. In this dividend forecast, we have noted only the possibilities although such dividend action as presented should materialize.

The tables are designed therefore with an eye toward indicating dividend possibilities in the first place, and market possibilities in the second. These ratings are based on investment rather than speculative considerations, although the latter have been taken into account in special cases. Stocks marked (A) are considered attractive at current levels; stocks marked (B) are regarded as unattractive; stocks marked (C) are regarded as having discounted visible prospects, and stocks marked (D) are considered as having good long range possibilities though selling at levels which are high enough for the present.

Wherever the figures have been available, we have indicated the 1927 earnings, in other cases they have been estimated. Such estimates, of course, in the nature of things cannot be considered as exact figures and some allowance should be made for deviation from the figures to be ultimately published by the companies themselves.

THE MAGAZINE OF WALL STREET

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# Steel Industry on Uptrend

IF early indications provide a good idea of what may be expected throughout the year, the dividend outlook in the iron and steel industry is most favorable. During the past month there has been a remarkable improvement in mill operations, and the trend in steel prices has been distinctly higher. Profits of the leading companies for the first quarter of 1928 should be in marked contrast with the poor showings reported for the final three months of the year just closed.

An encouraging characteristic of the present steel market is its breadth. Machinery makers, motor manufacturers, farm implement companies, the can industry, building lines and even the petroleum companies are increasing their purchases. The backward railroad equipment industry is taking more steel than for many months. Farmers are expected to use more wire. The threat of foreign competition is less menacing. The unfilled orders of the Steel Corporation are increasing in

spite of the fact that the mills of subsidiaries are operating at nearly 90% capacity as this is written.

Plant improvements during the past decade have resulted in a marked decrease in production costs, and mergers have consolidated a number of weaker companies into a few strong units. Competition is more orderly and less troublesome. The industry has been growing up, with individual companies catching up with their formerly too liberal capitalizations. The stabilization of general business, which has been a product of a more scientific banking system, is resulting in less marked peaks and valleys in the production curve.

Quite a number of companies which have been expending large amounts annually for improvements and additions now have reached a point where productive facilities are much more modern and fresh capital needs are less pressing. It seems to be the policy of directorates to pass along a larger share of net earnings to stockholders; and since stockholders have been penalized in the matter of dividends for so long a time, this is eminently fair. Fortunately, the larger companies possess adequate cash resources and are entirely free from bank debt.

## Position of Leading Steel Stocks

	Earned \$ per Share		Price Range (1927)		Recent Price	Div. Rate	Yield %	% Earned on Market Price	COMMENT
	1926	1927	High	Low					
Bethlehem Steel .....	7.48	5.02	66	44	58	none	nil	8.6	Prospect for resumption of dividends steadily growing brighter. (A)
Ebers (A. M.) .....	7.71 s	4.76 s	162	42	105	none	nil	4.5	Inauguration of dividend largely dependent upon results achieved by Ashton Process. (D)
Central Alloy .....	1.99	1.75 e	33	24	30	2.00	6.7	5.8	Strong financial set-up assures continuation of current rate, though earned by narrow margin last year. (A)
Colo. Fuel & Iron .....	7.60	8.50 e	96	43	79	none	nil	10.7	Improvement in earning capacity during late years puts stock in line for divs. in due course. (D)
Crucible Steel .....	8.72	7.03	96	76	90	6.00	6.7	7.8	Could pay more in event of sustained improvement in steel trade. (D)
Gulf States Steel .....	5.28	4.92	64	40	53	none	nil	9.3	Improvement and betterment program may defer resumption of divs. for time. (A)
Inland Steel .....	5.45	5.16	62	41	58	2.50	4.3	8.9	In process of consolidation with Youngstown, which see: (A)
Indium Steel .....	2.12	1.90 e	33	20	31	2.00	6.5	6.1	Dividend outlook uncertain, though no immediate change likely. (B)
Otis Steel .....	2.03	1.50 e	12	7	11	none	nil	13.6	No nearby prospect of div. Attractive on basis of improved position. (A)
Republic Iron & Steel .....	11.05	4.22	75	53	59	4.00	6.4	7.2	In merger spotlight. No change in div. policy indicated. (A)
Gloss-Sheffield .....	16.38	NF	134	110	127	6.00	4.7	..	Average earning power suggests probability of larger return in time, though immediate increase not anticipated. (D)
Superior Steel .....	2.72	def	28	18	23	2.00	8.7	nil	Erratic record and indefinite prospects render div. policy uncertain. (B)
Transue & Williams .....	nil	0.13	50	10	49	1.00	1.7	26.5	Nothing in recent showing to suggest early change in div. rate. (C)
U. S. Cast Iron Pipe .....	35.08	21.11	246	191	200	10.00	4.8	10.5	No change in payment appears in early prospect. (C)
U. S. Steel .....	17.99	18.80	160	111	145	7.00	4.8	6.1	Promising outlook for first half year, but no change in rate appears probable. (D)
Vanadium .....	5.26	6.00 e	67	37	83	4.00	4.8	7.2	Policy of paying \$3 with extras can readily be continued. (C)
Wa. Iron Coal & Coke .....	nil	nil	51	36	34	none	nil	nil	Unsatisfactory earnings render dividend outlook dubious. (C)
Warren Foundry & Pipe .....	\$1.44	2.00 e	27	18	19	none	nil	10.5	Dividend payments seem remote. (C)
Youngstown Sheet & T. ....	14.32	6.50 e	100	80	93	5.00	5.0	7.0	Merging with Inland Steel. Should eventually yield larger return to patient holder. (A)

e Estimated. p Plus 1 1/4% in stock. ‡ Partly extra. \$ Earnings of Republic Steel Co., predecessor. ¶ Preliminary earnings. †† On increased stock. s Year ended Sept. 30.

It will be remembered that just prior to the time steel orders began to fall off and prices began to decline last summer, there was a good deal of talk of dividend increases in the cases of companies like United States Steel, Youngstown, Crucible, Inland, Republic and Sloss Sheffield; and that there was a very active rumor that Bethlehem might resume payments on its common stock. Later merger developments, involving the absorption of plants which may need upbuilding, may change the picture for some concerns; but it seems logical that several constructive dividend announcements in the steel industry should be forthcoming now that the outlook again is good.

Whatever the outlook for higher distributions, some of the payments—which a few months ago were more or less doubtful—now seem quite well protected. Stock market discussions center around those companies which can order an increase instead of around those companies which may have to cut or pass payments.

A good deal will depend on a continued good volume of business from the railroads. Should the roads decide to skimp on maintenance, which they well could afford to do, the volume of steel orders from this source in the second half might not come up to expectations.

## Sugar Faces Chronic Problem of Over-production ::

financed sugar prices has been downward, due to the decline in raws; but eventually the association, if it works smoothly, should accomplish a broaden-

THE formation of the Sugar Institute by the leading refiners is a step toward better conditions in the refined trade, recently disturbed by extreme competitive conditions which are the natural result of an over-development of refining capacity. Since the formation of this association the trend in refined sugar prices has been downward, due to the decline in raws; but eventually the association, if it works smoothly, should accomplish a broaden-

ing in the differential between raws and refined. It remains to be seen whether enough will be accomplished to save some of the common dividend distributions now hanging in the balance. Unless refiners' profits are better in 1928 than in 1927, it is hard to see how payments conservatively can be continued on a number of representative refining issues.

Any improvement in the refined situation would be important to the larger American beet producers, now staggering under large inventories and big bank loans which threaten dividends. Beet producers have been contending with a tariff-stimulated increase in production of beets and with higher beet costs. The financial standing of some of the representative larger companies has been reduced by two years of unfavorable conditions.

Nor is there much prospect of early improvement. World production looms large as European countries strive to assure their independence of Cuban and Far Eastern markets through vastly stimulated cultivation of the beet industry. Consumption is on the increase in many parts of the globe, but not at any such pace as that at which production is gaining. Of course it is to be hoped that the recent agreement between Cuba and leading beet producing countries of the Continent to limit output, may lessen the pressure of excessive supplies to some extent, for in any case the normal requirements of the principal consuming countries will be more than met in coming months.

Cuban producers face another year of involuntary crop restriction, crop restriction even more burdensome than that under which they operated in 1927. Even if there is a fair increase in the average price of raws, profits in 1928 probably will be small for output will be reduced. Already costs have been cut to the bone and finances have been depleted by several poor years. Producers in other lands are able to offset lower prices by a larger production, but the Cuban companies are forced by government decree to produce less sugar. Dividend resummptions or increases are likely to be the exception.

Porto Rican producers, protected by the Ameri-

### Position of Leading Sugar Stocks

	Earned per Share			Price Range		Recent Price	Div. Rate	Yield %	COMMENT
	1925	1926	1927	1927 High	1927 Low				
American Beet Sugar .....	a \$6.10	a nil	a nil	25	15	6	none	nil	Long way from dividends. (B)
American Sugar Ref. ....	3.39	7.08	e 3.50	95	65	56	none	nil	Div. recently passed. for resumption. (D) Needs stabilization of industry
Cuba Cane (Pfd.) .....	c nil	c nil	c nil	50	23	25	none	nil	Bond maturities in 1930 more pressing problem than question of dividends. (B)
Cuban-American .....	c 1.16	c 0.38	c 1.08	28	18	20	1.00	5.0	No early change in rate appears likely. (D)
Great Western .....	e 15.83	e 8.96	e 3.86	44	35	31	2.80	9.0	Current rate will probably be maintained for present. (D)
Manati .....	d nil	d nil	d 0.17	46	27	32	none	nil	Div. hinges upon higher prices for sugar. (C)
Punta Alegre .....	c 1.49	c nil	c 0.53	46	27	29	none	nil	Could resume div. in event of improvement in sugar industry. (D)
South Porto Rico .....	c 14.79	c 10.54	c 4.01	42	33	34	f 2.00	f 5.9	No change in rate under present conditions. (D)

a Year ended March 31. b Year ended May 31. c Year ended Sept. 30. d Year ended Oct. 31. e Year ended Feb. 28. f Plus 10% in stock. e Estimated.

can tariff and prepared to increase output, are almost sure to have a good year. Most of them are in excellent financial shape, and in position to pass prosperity along to stockholders in dividends.

There probably will be a mild improvement in sugar prices this year, but the industry still is contending with a chronic problem of overproduction the solution of which is not yet in sight.

## Larger Output for Auto Industry

UNLESS trade opinion is based on false deductions, the automobile industry in 1928 will enjoy a volume of business much larger than that experienced in 1927. The margin of profit, however, remains to be determined. In all probability, the first half year will be better than the second half; for a number of companies operating in the lower-priced field probably will obtain more business than they are able to take care of until a pent-up demand has spent itself. After the edge is off this pent-up demand, price competition may be more severe.

In the automobile business, there have been more important model changes in recent months than in any like period in years. It is too early, however, to determine with any degree of accuracy just what changes in the distribution of business between the various producing units will result. Pos-

sibly there may be a shift in public favor back towards the lower priced car, for the prospective buyer now is offered a wider selection in the lower-priced field, and dollar-for-dollar values there may be larger than in the medium priced classification. On the other hand, with so many makers concentrating in the less-than-\$1,000 field, competition in the higher priced division may be lessened and thus make possible a wider profit margin.

The trend in the industry still is toward fewer and larger companies. The small unit, unless managed and directed by executives of the highest order, is being forced to compete on an unequal cost basis, and has to break down a sales resistance of increasing solidity. There always will be small companies in the motor industry, but small companies cannot expect to be as uniformly prosperous as the larger ones, nor are they equipped financially to retrieve lost model popularity as quickly and as effectively as the leaders.

The motor industry as a whole is in excellent shape financially, and the leading companies always have been generous in the matter of dividends. Until the outlook for the second half year is a little more clearly defined, directorates may go slow in the matter of extra distributions and increases in regular rates, but the aggregate dividend distributions of the industry in 1928, barring a much less liberal extra dividend policy in the case of General Motors, should be larger than in 1927 or in 1926. In the case of General Motors, it should be remembered that the company's Chevrolet division operated throughout 1927 with

### Position of Leading Motor Stocks

	Earned per Share		Price Range		Recent Price	Dividend Rate	% Earned on Market		COMMENT
	1926	1927	1927 High	Low			Yield	Price	
Chandler-Cleveland	nil	e nil	14	4½	6	none	nil	nil	Has suspended preferred dividends. No chance for payment on common. (B)
Chrysler	4.77	e 6.50	63	38	57	3.00	4.9	10.7	Higher rate might develop if product retains present popularity. (D)
Dodge	6.46	1.55	27	13	20	none	nil	7.7	Restoration of earnings rather than dividend payment is chief problem. (D)
General Motors	a 9.68	12.99	141	113	136	5.00	3.7	9.6	Earnings in first six months at any rate should permit usual policy of extras. (D)
Hudson	e 3.36	9.04	91	48	50	5.00	5.9	10.8	Basic rate probably to stay as is with some chance for extra. (D)
Hupp	3.49	e 2.50	36	16	37	1.40	3.8	6.8	Rise in productive activity may lead to extra payments. (D)
Jordan	0.25	e nil	22	12	10	none	nil	nil	Collapse in earnings not conducive to expectation of dividend resumption. (B)
Mack Trucks	9.86	e 6.75	118	88	101	6.00	5.9	6.7	No reason to look for change in established dividend policy. (A)
Moon	0.26	e nil	12	6	6	none	nil	nil	Prospects for revival in earnings not such as to indicate dividend resumption. (B)
Nash	n 8.50	n 8.30	101	60	81	4.00	4.6	10.2	Probability of one or more extras in addition to regular rate. (D)
Packard	x 5.27	x 3.91	62	38	57	3.00	5.00	6.5	Favorable trend of earnings should lead to higher regular rate or extras. (D)
Graham-Paige	0.49	e nil	18	7½	17	none	nil	nil	Status still obscure pending results of new management. (D)
Pierce-Arrow	1.42	e nil	23	9½	13	none	nil	nil	Continued poor earnings render dividend prospects very dubious. (B)
Studebaker	6.45	e 6.50	63	49	60	5.00	7.7	10.8	No increase in dividend indicated, but continues to cover present rate comfortably. (D)
White	2.73	nil	58	30	32	2.00	6.2	6.2	Reduced dividend none too secure pending readjustment in affairs. (D)
Willys-Overland	0.23	e 1.00	20	17	19	none	nil	5.2	Little hope for dividend with intensified competition in low-priced field. (B)

e—Estimated. n—Year ended Nov. 30. x—Year ended Aug. 31. c—Thirteen months ended Dec. 31. a—Basis present capitalization.  
 ? Not including extras.

very little Ford competition. The influence of Ford's new product on Chevrolet profits probably will not be apparent before the turn of the year. For the first half, General Motors seems to be assured of earnings nearly as large, or larger, than in the first half of 1927.

## Future of Tires and Accessories

big increase in original equipment business, and most manufacturers are offering more accessories

IT is practically certain that tire manufacturers and makers of automobile accessories will obtain a larger aggregate volume of business in the first half year than in any previous six months. Tire makers will gain from larger registrations as well as from a

as standard equipment. The distribution of business among the various manufacturers, however, probably will be highly irregular; and in many cases the margin of profit may be reduced.

Tire producers are complaining about the small net earnings derived from original equipment contracts, and realize that competition in the replacement business is bound to be fully as troublesome as in the past; but some of the old trade abuses which troubled the industry for years now have been corrected. Companies which specialize in rubber footwear have had a disappointing winter because of weather conditions, but the mechanical rubber goods business has been good. Rubber prices seem to be in control, and there seems no danger of chronic inventory losses. On the whole, the financial condition of the leading concerns is excellent, thanks to a good year in 1927.

The automobile accessory business is peculiar in that the prosperity of individual companies depends so much on contracts with automobile

### Position of Leading Tire & Motor Accessory Stocks

	Earned per Share		Price Range		Recent Price	Dividend Rate	% Yield	% Earned on Market Price	COMMENT
	1926	1927	High	Low					
Ajax Rubber .....	def	def	13	7½	11	none	nil	nil	Doing better but hardly a dividend candidate at this time. (B)
Amer. Bosch .....	2.16	e 1.50	26	13	18	none	nil	8.3%	Earning power as yet too undependable to warrant dividend action. (B)
Briggs Mfg. ....	4.08	e 1.65	36	19	22	none	nil	7.5	Chance for restoration of dividend this year highly uncertain. (B)
Collins & Aikman.....	6.18	6.00	113	86	90	4.00	4.2%	6.7	Strength in stock appears based on potential merger rather than dividend change. (C)
Continental Motors .....	m 1.15	m 0.71	13	9	10	0.80	8.0	7.1	No great margin of earnings over present dividend requirements indicated. (B)
Eaton Axle & Spring.....	3.84	e 2.90	29	21	29	2.00	6.9	10.0	Dividend comfortably covered but no increase in sight. (D)
Electric Auto-Lite .....	7.11	e 9.50	102	63	117	6.00	5.1	8.1	Immediate objective is attainment of stronger cash position in lieu of dividend raise. (C)
Fisk Rubber .....	m 1.27	e 0.60 m	20	14	16	none	nil	3.7	Affairs not yet in such shape as to render early dividend likely. (D)
Gabriel Snubbers A.....	5.17	4.80	59	22	23	3.50	15.9	21.8	Appears doubtful that present dividend can be maintained throughout year. (B)
B. F. Goodrich.....	def	15.32	96	42	81	4.00	4.5	19.0	Unsettled crude rubber conditions may delay higher rate otherwise possible. (A)
Goodyear T. & R.....	3.78	e 11.00	69	48	60	none	nil	17.3	Dividend outlook appears fairly promising if litigation can be terminated. (A)
Kelly-Springfield .....	nil	e 1.00	32	9½	15	none	nil	6.7	Position improved but arrears on preferred preclude early payment on common. (D)
Kelsey-Hayes Wheel .....	2.15	e 2.40	27	19	24	2.00	8.3	10.0	Present rate none too secure with margin of earnings so restricted. (B)
Lee Rubber & Tire.....	def	e 2.75	18	7	19	none	nil	14.5	Has best dividend prospects among smaller tire companies. (A)
Martin-Parry .....	a 4.14	a 0.04	24	15	13	none	nil	0.3	Chance for restoration of recently omitted dividend rather dubious. (B)
Miller Rubber .....	nil	e nil	36	17	23	none	nil	nil	Resumption of dividend in 1928 largely contingent on more stabilized conditions. (D)
Moto-Meter A .....	7.81	e 4.50	38	17	20	3.60	18.0	22.5	Present dividend appears to be in somewhat precarious position. (B)
Motor Wheel .....	2.39	e 2.80	27	20	26	2.00	7.7	11.7	Indications point to maintenance of present rate unchanged. (D)
Norwalk T. & R.....	e nil	e nil	5	2	3	none	nil	nil	Any developments in regard to dividends exceedingly remote. (B)
Reynolds Spring .....	def	e nil	13	4	9	none	nil	nil	Considerable distance to go before dividends can be considered. (B)
Spicer Mfg. ....	4.04	e 2.60	28	20	27	none	nil	9.6	May be able to overcome artificial restriction to dividends. (D)
Stewart-Warner .....	8.42	8.67	87	51	82	6.00	7.3	10.6	Good earnings prospects although early dividend change hardly indicated. (A)
Stromberg Carburetor .....	5.79	e 1.75	54	26	50	2.00	4.0	3.5	Earnings and dividend position highly uncertain. (B)
Timken Roller Bear.....	8.26	e 9.00	142	78	116	±5.00	3.8	7.8	Payment of additional extras may develop during year. (D)
U. S. Rubber .....	nil	e 1.00	67	37	51	none	nil	1.9	Still in period of subnormal earnings. Dividend not in prospect. (D)

a Year ended Aug. 31. e Year ended Sept. 30. m Year ended Oct. 31. ± Partly extra. e Estimated.

makers. In general it may be said that the trend in the accessory business is toward the sale of a much larger part of total output on a wholesale basis for original equipment. There never has been a time when new automobiles have left the factory so completely equipped. In the case of some accessory makers this is bullish, while in the case of others it is exceedingly bearish. It has been suggested that the trend toward more complete factory equipment may result in a further integration in the motor industry and in the elimination of some of the weaker factors in accessories. To sum up, the outlook in the tire and accessory business is very spotty.

## Large Supplies Hamper Oils

was so much crude and gasoline in storage; and there seldom have been times in the past when so many new pools have been prepared to increase

THE petroleum industry is unlikely to stage one of those quick returns to prosperity such as have featured its history so frequently after past depressions. Production still is running well ahead of consumption; there never

output on short notice. With crude prices down to the lowest level in recent times, operators co-operating to prevent further over production, the finances of most companies in reasonably good shape considering what they have been through, and the yield of prolific light oil fields declining instead of increasing, however, there is reason to anticipate some improvement in the position of the larger, better situated and better integrated companies during the year. Of course, dividend resummptions and increases are likely to be notable through their absence, and it is probable that some of the weaker oil companies now making regular distributions will have to discontinue payments to stockholders.

Refiners, marketing organizations, and lower cost producers of high gravity crude should be able to operate at better profits than in 1927, but the 1928 income of strictly producing companies, companies which have a large output in lower gravity fields, organizations which produce crude chiefly in the older, high cost fields, and units which specialize in fuel oil cannot be expected to register any considerable gain.

The outlook for companies producing high grade gasoline crudes seems to be rather hopeful, since the more sensational new field developments, and prospective developments are in the low gravity pools of Venezuela, Mexico and West Texas. The high gravity output of Seminole and some of the

### Position of Leading Petroleum Companies

	\$ Earned per Share			Price Range		Recent Price	Div. Rate	Yield %	COMMENT
	1925	1926	1927	1927 High	Low				
Atlantic Refining .....	\$11.53	\$11.24	e nil	131	104	100	\$4.00	3.7	Heavy write-offs brought deficit last year. Market action indicates lack of confidence in div. (D)
Barnsdall Corp. "B" .....	3.33	5.20	\$2.92 (9)	32	20	23	s 2.50	10.0	Will probably continue stock dividend during depression period in industry. (D)
California Pet. ....	3.25	3.34	e 1.00	32	20	26	1.00	3.9	Proposed merger with Texas Co. will give holders larger dividend income. (A)
General Asphalt .....	5.79	8.12	e 5.00	96	65	75	none	nil	Substantial drop in earnings last year again puts off likelihood of dividend payments. (C)
Houston Oil .....	2.85	3.59	6.18 (9)	175	60	131	none	nil	Until expansion of natural gas service is completed, dividends are uncertain. (C)
Maracaibo Oil .....	0.10	0.13	nil	22	12	17	none	nil	Company essentially in development stage. Dividends not likely this year. (D)
Marland Oil .....	8.11	5.05	nil	58	31	33	none	nil	Dividend resumption depends on improvement in general oil situation. (A)
Mexican Seaboard .....	0.12	nil	e nil	9	3	5	none	nil	Little hope for dividends this year. (B)
Mid-Continent Pet. ....	4.89	5.90	NF	39	25	26	none	nil	Company has improved its position in recent years, but dividend payments are still irregular. (D)
Pan-American "B" .....	9.92	9.32	e 2.64	66	45	38	none	nil	Dividends passed recently because of lower earnings. 1928 dividend outlook uncertain. (D)
Phillips Petroleum .....	5.12	8.89	e 6.50 d	60	36	36	1.50	4.2	Recently reduced dividend likely to be maintained. (D)
Producers & Refiners .....	1.00	2.44	e nil	33	16	25	none	nil	Company is not in a very favorable position for dividends this year. (B)
Pure Oil .....	3.10 a	3.70 a	3.00 a	33	25	20	0.50	1.9	Div. reduction reflects uncertainties of present state of industry. Better conditions may bring higher rate. (D)
Shell Union Oil .....	2.22	2.97	NF	31	24	25	1.40	5.6	Present div. rate may be reduced unless industry improves early part of 1928. (C)
Simms Pet. ....	3.85	2.17	e nil	26	14	18	none	nil	Co. in weak condition as primarily a producing organization. Dividend unlikely. (B)
Sinclair Consol. ....	1.01	3.60	e 1.25	22	15	17	none	nil	Dividend restoration not looked for until better conditions materialize. (D)
Skelly Oil .....	4.07	5.20	e 1.65	37	24	28	2.00	7.1	Dividends likely to be reduced or passed because of lower earnings. (B)
Standard Oil Calif. ....	3.25	4.38	NF	60	50	56	2.50+	4.4	Company well able to continue present rate in spite of reduction in income. (A)
Standard Oil N. J. ....	2.11	3.30	NF	41	36	39	1.00+	2.6	Lower earnings may affect present rate of payments which includes "extras." (A)
Sun Oil .....	3.48	2.86	2.25	34	30	36	b 1.00	6.2	Payments in cash and stock dividends seem reasonably well secured. (D)
Texas Corp. ....	6.02	5.48	NF	58	45	53	3.00	5.7	Dividend appears to be assured by virtue of company's strong position. (A)
Texas-Pac. C. & O. ....	0.86	1.87	0.37 p	18	12	16	0.60	3.7	Although earned by wide margin last year, dividend rate may be affected by prolonged depression. (D)
Union Oil Calif. ....	2.78	3.12	2.65	66	39	43	2.00+	4.7	Dividend earned in first 9 months of 1927. No changes likely. (A)

a—Year ending March 31. (9) Nine months only. b—Plus 3% in stock. s—Payable in common stock. (8) Six months only.  
c—Estimated. d—Before depreciation and depletion. + Plus extras. p—Preliminary.

older Midcontinent and California fields is dropping slowly, and the surplus of gasoline crudes does not seem to be as large as the surplus of fuel oil crudes. The fuel oil producing industry faces a most unencouraging immediate prospect.

It will be seen that it is impossible to make generalizations which will fit all oil companies. Any recovery in oil shares is likely to be very selective. In the petroleum group, unfavorable dividend news is likely to predominate.

## Mining Industry in Improved Position :: ::

at the moment there seems to be a disposition among the important companies to cooperate in limiting output to a point where the margin between costs and selling price is satisfactory. It is important to note, however, that the continuance of the present earning power of the big mining companies is dependent upon an uncertain human element—willingness to make often unpleasant concessions for mutual good. Copper prices could not be advanced much further without stimulating production, and a slightly larger production would endanger the present price level.

THE productive capacity of the world's copper mines is much in excess of the metal demands of industry, but costs of the larger producing units are low and

This is the nub of the dividend outlook for mining companies.

Much has been made of recent ore discoveries, and some startling estimates have been made concerning the probable low cost of producing metal from new ore bodies. Almost every one of the new sources of supply, however, is not expected to go into large scale operation until 1929 at the earliest. Dividend distributions from the new ore bodies of Greene Cananea, International Nickel, Calumet & Arizona, Calumet & Hecla, Noranda, and Hudson Bay cannot be anticipated in 1928, nor can the outputs of these ore bodies depress the price of copper this year. A larger output from Braden, Andes and the African companies seems assured almost immediately, but a fair industrial revival at home and abroad would take up the slack. Fortunately, the industrial improvement seems to be in prospect.

More than ever there seems to be a need for investors to discriminate in favor of the low cost producers. Some companies, like Chile Copper, might be better off if allowed to produce all the copper they could even if the price of the metal were lower. Most of the smaller units, and all the high cost producers, are better off under present conditions.

Compared with earnings, copper companies already are on a liberal dividend basis. While some increases and resummptions are in immediate prospect, no general upward revision of distributions to shareholders in the copper industry is anticipated.

The statistical position of zinc leaves something

### Position of Leading Mining Stocks

	Earned per Share		Price Range		Recent Price	Dividend Rate	% Earned on		COMMENT
	1926	1927	1927 High	1927 Low			Yield	Market Price	
American Metal .....	3.88	2.85 e	49	36	44	3.00	6.8	6.5	Restoration of former \$4 rate hardly indicated for this year. (D)
American Smelting .....	23.38	18.00 e	133	118	172	8.00	4.4	10.4	Higher rate could be easily supported but apparently against policy. (D)
Anaconda .....	4.74	4.00 e	59	46	58	3.00	5.2	6.9	Dividend increase may develop although by no means assured for 1928. (D)
Butte & Superior .....	1.71	1.00 e	11	7	10	2.00	20.0	10.0	Present dividend liquidating in character and of uncertain duration. (D)
Calumet & Arizona .....	5.59	4.00 e	123	61	93	6.00	5.9	4.3	Extra payment possible but strength in stock based on longer range prospects. (D)
Calumet & Hecla .....	0.75	0.29	24	14	22	2.00	9.1	1.3	Indications point to stability of current rate, which is sufficient for present. (A)
Cerro de Pasco .....	4.05	3.50 e	72	58	66	4.00	6.1	5.3	Should be able at least to resume \$1 extra omitted last year. (A)
Chile Copper .....	2.65	2.50 e	44	33	41	2.50	6.1	6.1	Increased capacity may permit higher rate at discretion Anaconda management. (A)
Dome Mines .....	1.41	1.96 fg	14	7	12	1.00	8.3	16.3	Dividend none too well assured pending outcome of new developments. (C)
Granby .....	nil	nil e	45	31	41	none	nil	nil	Working on plan to resume dividend discontinued owing to tax complications. (D)
Greene-Cananea .....	1.17	1.00 e	151	29	120	none	nil	0.8	Dividend action probably to await further development of ore discoveries. (D)
Homestake .....	2.23	2.00 e	75	60	72	6.00	8.3	2.8	Regular and perhaps extra payments from past profits likely to continue. (C)
Howe Sound .....	6.23	4.31 g	48	34	43	4.00	9.3	10.0	Present rate reasonably safe for present, with higher rate contingent on metal markets. (D)
Inspiration .....	1.11	nil e	25	12	19	none	nil	nil	Resumption of dividends a possibility if copper remains firm. (D)
Kennecott .....	5.80	5.00 e	90	60	80	5.00	5.8	6.3	Increase in dividend within bounds of possibility. (A)
Magma .....	2.96	2.50 e	58	29	51	3.00	5.9	4.9	May be in position to establish higher rate before close of year. (D)
Miami .....	1.52	1.60 e	20	13	18	1.50	8.3	8.9	Should be able to maintain present dividend with copper above 14 cents. (D)
Mother Lode .....	0.79	nil e	4	1½	3	0.50	16.6	nil	Declining ore reserves place dividend in insecure position. (B)
Nevada Consol. ....	1.66	1.50 e	20	12	22	1.50	6.8	6.8	Position strengthened but current earnings allow little leeway for higher dividend. (D)
St. Joseph Lead .....	4.21	1.85 e	43	36	42	3.00	7.1	4.4	Quarterly extras aggregating \$1 per annum already declared for 1928. (D)
U. S. Smelting .....	3.81	3.50 e	48	33	42	3.50	8.3	8.3	Present dividend reasonably well assured despite limited margin of earnings. (D)

e Estimated. f Before depreciation. g Before depletion. ‡ Partly extra. ¶ Not including extras.

to be desired, but trade authorities look for higher prices later. Lead producers will not earn as much in the first half year as in the first half of 1927, but the trend in this metal also is better. Silver miners still are contending with a more or less heavy market. Smelting and refining concerns are doing well, but no big increase in their earnings seems probable, unless derived from the coming into production of supplementary mining properties.

## Opportunities in Miscellaneous Specialties

**GENERALIZATION'S** in this group are impossible. Each corporation fills a peculiar niche in industry or commerce. Some are little influenced by general industrial trends because of the

stable character of the demand for their products or services. Others depend largely on the prosperity or difficulties of a single related industry. Still others depend on general trade trends. One,

American Bank Note Company, experiences rising or falling profits according to the relative activity of the securities market.

The broadening of public ownership in industry in late years has broken down much of the old prejudice against specialty companies, convinced many doubting ones concerning the cash value of good will; and has provided an opportunity for the masses to share in the earnings of a large number of monopolies. Large profits have been realized in the shares of such companies as Coca Cola, Banc-italy, Coty, Sterling Products, Fleischmann, Simmons Company, Gillette Safety Razor, Eastman, International Silver, Bush Terminal, American International, General Outdoor Advertising, Lambert and others. More recently even the publishing field has been invaded by the stock market.

Among the better class of specialty companies, growth of business is almost continuous. It is a matter of record that companies like Owens Bottle, Coca Cola, Gillette, Lambert and Fleischmann have been able to report a consistent increase in profits for many years. Through judicious advertising and advanced production methods, distribution of products seems to show a never-ending growth. Of course, there are other specialty companies

### Position of Sixteen Miscellaneous Stocks

	Earned per Share		Price Range		Recent Price	Div. Rate	% Earned on Market		COMMENT
	1926	1927	High	Low			Yield	Price	
Bucyrus-Erie .....	d 3.63	d 3.35	v 35	v 24	27	1.00	3.7	12.4	Indicated earning capacity of consolidated properties shows ability to pay more ultimately. (D)
Certain-Teed Products .....	6.01	6.07	55	42	58	4.00	6.7	10.4	Well able to maintain present rate. Steadily expanding scope of operations. (A)
Childs Co. ....	3.83	3.17	65	48	48	2.40	5.0	6.6	Stock dividend payments recently omitted, but no change in cash rate seems likely. (D)
Corn Products .....	3.58	e 3.60	68	46	68	†3.00	4.4	5.2	Present \$3 rate, including \$1 extra, may become regular in view of strong position and established earning capacity. (D)
Madison Square Garden .....	2.43	e 3.00	28	20	24	1.50	6.3	12.5	Recently increased dividend rate well within present earning power. No further change anticipated in near future. (C)
Manhattan Elec. Supply.....	10.26	e 5.00	132	43	51	5.00	9.8	9.8	Present dividend will probably be maintained. (C)
Mathieson Alkali Works.....	10.22	11.60	132	82	125	6.00	4.8	9.3	Recent upward revision in rate precludes likelihood of further action for some time but does not limit long range possibilities. (D)
May Dept. Stores .....	a 6.20	a 6.36	90	66	82	4.00	4.9	7.7	Dividend policy conservative, hence no early increase anticipated. (D)
National Dairy Products.....	6.60	e 7.00	68	59	69	3.00	4.4	10.1	Higher dividend seems merely a question of time. (A)
Owens Bottling Mach.....	6.60	6.00	85	73	76	3.00	6.6	7.8	Will doubtless continue to pay occasional extras in cash and stock. (D)
Pillsbury Flour Mills.....	b 2.89	b 5.94	37	30	32	1.60	4.6	18.5	Average earning capacity suggests ability to pay somewhat higher rate. (D)
Postum Co. ....	8.08	e 8.00	126	82	120	5.00	4.0	6.7	No halt in upward trend of earnings. Could pay more eventually. (A)
Savage Arms .....	7.02	3.54	72	43	70	4.00	5.7	5.1	Paying about all current income seems to justify. (C)
Simmons Co. ....	e 2.37	e 3.86	64	33	69	2.00	3.2	5.6	Higher earnings indicated but no early change in div. rate appears probable. (C)
Thatcher Mfg. ....	0.60	0.44	23	16	26	none	..	1.7	Dividends not yet in sight. (C)
U. S. Hoffman Mach.....	6.04	5.38	63	44	55	4.00	7.3	9.8	Div. earned by relatively small margin last year but no change indicated. (C)

a—Year ended Jan. 31. b—Year ended June 30. c—Year ended Nov. 30. d—Based on assumption of complete deposit of Erie Steam Shovel and Bucyrus pfd. and com. stocks, and no conversions of Erie Steam Shovel pfd. into com. †Partly extra. v—Erie Steam Shovel. e—Estimated. p—Preliminary.

which do not present so attractive a picture, some because of second grade management, others because of a less effective public appeal. Candy companies, as a group, have been disappointments; and the failures in cosmetics have been nearly as conspicuous as the successes.

A subdivision of the specialty group which is in an especially interesting position is the automobile financing classification. Financing companies should feel the influence of a better motor year. It remains to be seen whether the larger volume will be profitably handled, for in the past the risk element has been a rather large one.

## Strong Financial Condition of Equipments

**T**HIS group divides itself into four parts, distinct and little related—electrical devices, railroad equipment, business and office equipment and miscellaneous machinery. Except in railroad equipment, a good volume is assured, and the outlook for car and locomotive builders is hopeful. The margin of profit, on the other hand, lately has been dwindling in a number of lines. Fortunately

most of the companies represented in the three classifications are strong units and adequately financed. A number of favorable dividend announcements should be made during the year.

The increase in the demand for electrical equipment for the past year or two has not been quite as marked as in the past, but has continued. Highly competitive conditions exist in household devices, but a better situation is evident in utility needs and industrial requirements. Public utility company 1928 budgets are heavy. The larger corporations seem to be obtaining the lion's share of the electrical business.

Railroad equipment concerns are booking more orders, but their volume still is disappointing. On the whole, the companies supplying repair accessories and steel freight and passenger cars seem to be doing better than the locomotive makers. Until there is a marked gain in car loadings, railroads may buy sparingly. A number of equipment company dividends are being paid out of surplus; although the financial position of the companies in question is excellent, this obviously cannot go on indefinitely.

Exports of office equipment have been increasing at a most satisfactory rate, and the domestic demand is well sustained. There is a pronounced trend toward consolidations, some of which have been hurriedly arranged on a rather inflated capital basis. While competition in some lines is ex-

## Position of Leading Equipment Companies

### Electrical Equipment

	Earned per Share 1926	Earned per Share 1927	Price Range 1927 High Low	Recent Price	Div. Rate	% Yield	% Earned on Market Price	COMMENT
General Electric .....	6.14	6.75 e	146 81	129	5.00	3.9	5.2	Present policy as to extra dividend probably to remain another year. (D)
Westinghouse Elect. & M....	c 5.96	c 6.81	94 67	90	4.00	4.2	7.6	Progress unlikely to be reflected in dividend increase for present. (A)

### Railroad Equipment

Amer. Brake Shoe & F'dry..	3.76	3.28	46 35	45	1.60	3.6	7.3	Moderate increase in cash rate can be easily supported. (D)
Amer. Car & Foundry.....	a 6.67	a 4.16	111 95	107	6.00	5.6	3.9	Prevailing dividend maximum expectation under present conditions. (A)
Amer. Locomotive .....	7.45	4.80	116 99	109	8.00	7.3	4.4	Present dividend takes potential improvement into account. (A)
Amer. Steel Foundry .....	4.50	†3.84	72 41	55	3.00	4.9	7.0	Increased dividend prospect not a factor in recent strength. (D)
Baldwin Locomotive .....	22.42	5.21	265 143	249	7.00	2.8	2.1	Dividend apparently a fixture regardless of variations in earnings. (C)
General Amer. Tank Car....	5.57	5.50 e	64 46	64	4.00	6.3	8.6	Higher rate instituted last year will probably suffice for present. (A)
General Ry. Signal .....	11.61	7.78	153 82	109	5.00	4.6	7.1	Lower earnings last year render dividend change unlikely. (D)
Westinghouse Air Brake.....	3.32	3.00 e	50 40	52	2.00	3.9	5.8	Conservative policies not conducive to early dividend increase. (A)

### Business Equipment

Inter. Business Machine.....	6.51	7.00 e	120 53	139	5.00	3.6	5.0	Another dividend increase before close of year fairly likely. (C)
Remington-Rand .....	3.16	1.00 e	47 20	30	none	nil	3.3	Dividend restoration uncertain pending greater coordination of combined properties. (A)
Underwood-Elliott-Fisher ...	b 4.66	5.54	b 70 b 45	67	4.00	6.00	8.3	Dividend rate just established likely to stand for present. (D)

### Industrial Equipment

Allis-Chalmers .....	9.39	10.02	118 88	120	6.00	5.0	8.3	Increase in rate to \$7 pretty definitely indicated. (D)
Chicago Pneumatic Tool ....	12.74	12.00	137 120	133	6.00	4.5	9.0	Higher rate possible at any time in discretion of management. (A)
Ingersoll-Rand .....	7.73	6.50 e	96 86	92	5.00	5.4	7.1	Will probably continue policy of periodical extras. (A)

a Year ended April 30. b Underwood Typewriter Co., predecessor. c Year ended March 31. † Partly extra. ‡ Preliminary. \* On new stock of no par value. e Estimated.

treme, the industry generally is highly prosperous.

The sales and earnings of most miscellaneous machinery manufacturers declined last year, but lately there has been a fair recovery which promises to continue. A number of representative corporations are in position to announce dividend increases, but directors are likely to delay action until a better idea of the general industrial trend is obtainable. Companies serving the oil industry should have a better business in the second half year.

## Leather and Shoe Industry Improves

**T**HE dividend outlook in the shoe industry is favorable. There has been a marked increase in the price of hides during the last year, and leather and shoe prices have followed the upward trend in the raw material. While

the percentage of price increases in leather has not been as high as hides, and shoes have not advanced as much as leather, profits of shoe and leather companies are running at a higher rate than for some time. The volume of business in the shoe industry is very satisfactory, price advances so far having resulted in no slowing up in the public's buying activities.

During 1927 the Department of Commerce reports the production of 343.6 million pairs of boots and shoes, which compares with 324 million in the two preceding years. Current rate of output is in line with this higher trend, which is the more encouraging since it denotes larger utilization of factory facilities, which are admittedly too large for normal demand of both home and export markets.

The leather industry is emerging from a long period of depression, caused by excessive inventories, a post-war adjustment in trade channels and style changes of far reaching import. Upper leather companies, while now operating at a profit, still are feeling the trend toward low shoes, as

well as the competition of French and German producers, who, for the past year or more, have been shipping lighter leathers to this country in large volume. Leather specialty companies do not appear to be enjoying normal profits.

Sole leather lines, on the other hand, are doing better than at any time since 1919. The excessive inventory position in which tanners and leather manufacturers were caught in 1921 has undergone steady, if gradual, reduction; until today total stocks on hand have shrunk to the lowest in many years and are no more than sufficient for ordinary requirements. Moreover sole and heavy leather has more consistently reflected the advance in hide prices and hence affords a more proportionate margin of profit than do many other grades.

Some concern is felt over the question of hide prices which have skyrocketed during the past months, even maintaining high levels at the season when the lower quality of take-off usually brings about substantial declines. The situation is of course the direct reflection of the decreased number of cattle and calves which came to market during 1927, and the restriction on imports necessary to prevent the spread of the hoof and mouth disease among cattle. From present prospects there seems little likelihood of an early decline in hide prices and manufacturers are wondering just how far they will be able to meet higher raw material costs by advancing prices without causing a falling off in the volume of shoe sales. So far it is reported that shoes have advanced only about 20% against an advance of 50% to 85% in raw materials. There is some talk of a cut in wages, but experiments in this direction in Massachusetts have resulted in serious labor troubles. The influence of further advances in shoe prices on the volume of shoe sales will be watched closely.

The financial position of shoe and leather companies, with a few exceptions, is better than for some years. Bank loans are moderate and cash holdings are comfortable. Barring excessive increases in working capital requirements as a result of higher inventory valuations, the larger corporations should be in position to pass along greater prosperity to stockholders.

### Position of Leading Leather and Shoe Companies

	Earned per Share		Price Range		Recent Price	Dividend Rate	% Earned on Market Price		COMMENT
	1926	1927	High	Low			% Yield	Price	
Amalgamated Leather .....	nil	nil e	24	11	13	none	nil	nil	Increasing arrears on preferred cut off any hope of common div. Recapitalization planned. (C)
American Hide & Leather...	nil	nil	12	7%	14	none	nil	nil	Practically no equity in earnings. Div. exceedingly remote. (C)
Barnet Leather .....	5.08	2.00 e	59	40	48	none	nil	nil	Div. dependent upon continued improvement in the industry. (D)
Brown Shoe .....	4.00 a	6.24 a	50	30	50	2.50	5.00	12.5%	Earnings would permit further increase but no early change likely. (D)
Endicott-Johnson .....	7.03	8.68	81	64	79	5.00	8.9	11.0	In position to pay more but increase doubtful. (A)
International Shoe .....	c 3.42 b	4.55 b	†59	†40	73	2.00	2.7	6.2	Old stock split four for one, Oct., 1927. Could pay more. (C)
U. S. Leather "A" .....	†1.61	6.50 e	56	27	58	none	nil	11.2	Improvement in earning power enhances div. prospect. (C)

a Year ending Oct. 31. b Year ending Nov. 30. c New basis. † On basis of present capitalization. e Estimated.

# Earning Power Much Greater Than Disclosed by Financial Statement

An Attractive Long-Pull Investment

By MAX HALPERN

THE uninterrupted increase in the number of automobiles and the wider application of machinery have greatly accelerated the growth of the oil industry in the past quarter of a century. Steady expansion in gasoline demand throughout the United States has brought consumption to approximately one million barrels per day.

The ever mounting volume of refined petroleum products has called for increasing numbers of tank cars for the purpose of transporting these items. Of the various concerns engaged in this field of endeavor, the Union Tank Car Company merits careful analysis because of its consistent growth and its position of leadership.

Of the 144,664 privately owned tank cars in the United States reported by the Interstate Commerce Commission in 1926, the company owned 32,712 or 22.6% of the total. Before endeavoring, however, to discuss the record and possibilities of this interesting property, it would seem more advisable to discuss briefly the factors entering into the development of this industry and its relation to the pipe line which is also an important agent of oil transportation.

The tank car is not in competition with the pipe line movement. The latter is for the purpose of carrying crude petroleum from fields of settled production to refineries, whereas, products of the latter are transported solely by

rail. The varied character of refined products also precludes their transportation via pipe line, because contamination would result. Moreover, it would be economically unsound to lay pipe lines in an effort to reach widely scattered consuming areas for the purpose of distribution, owing to the prohibitive costs.

The tank car is also used to transport crude oil from newly developed areas of production, where the laying of pipe lines is not yet justified and to small refineries unable to utilize this system of delivery. Statistics since 1920 attest to the rapid growth of the tank car movement. Crude petroleum transported by the railroads in that year totaled 12.82 million tons and increased to 22 million tons in 1926, a gain of 71.5%. The total volume of refined products transported during this period rose from 60.4 to 90.3 million tons or 64.5%.

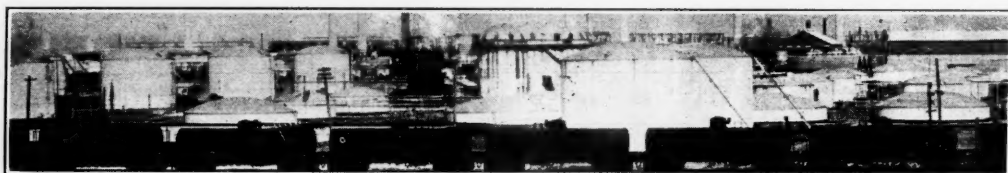
The relatively greater increase in the volume of crude transported is explained by the fact that refined products declined during the depression in 1921, and from time to time new areas of flush production were responsible for abnormally large increases. Since 1921, the volume of refined products transported has reflected unbroken progress. The number of privately owned tank cars has also increased from 116,871 in 1920 to 144,664 in 1926, or 24%.

The present company was incor-

porated in 1891 and was one of the original subsidiaries of the Standard Oil Company of New Jersey before the latter was dissolved in 1911. Its principal activities are confined to renting and leasing tank cars to shippers of oil. The company also receives a mileage rate from railroads.

Union Tank Car handles practically all of the business of Standard Oil refiners which constitutes a substantial portion of the total business available. Ninety per cent of the company's cars are engaged in transporting finished oil products from refineries. Private trackage facilities for the storage of its cars in the vicinity of its various shops, which are located at the principal points where oil traffic originates, are maintained by the company. The latter has also entered the tank car manufacturing field, having erected a large plant near Lima, Ohio. Union Tank Car Company also owns shops at Bayonne, N. J., and Olean, N. Y.

The income account since 1922 is rather irregular and fails to reflect any definite progress. However, consistently heavy depreciation reserves were charged off each year. Dividend payments have been quite liberal nevertheless. Aside from cash payments, stock dividends were also paid. The record in this regard is quite satisfactory, payments on the common stock having been made without interruption since 1914. In 1922, \$7.00 was paid and the present rate of \$5.00 per share an-



Union Tank Car Company

Year	Gross Earnings	Depreciation	Reserves	Pfd. Divs.	Com. Divs.	Surplus
1926 .....	7,213,410	3,494,989	562,650	840,000	1,228,220	964,051
1925 .....	6,613,296	3,444,899	452,789	840,000	910,370	965,238
1924 .....	7,223,926	3,401,367	592,688	840,000	901,125	1,488,745
1923 .....	8,374,134	3,616,755	560,000	840,000	900,000	2,365,399
1922 .....	8,097,780	3,895,781	570,000	840,000	840,000	1,622,859

annually has been paid since 1923. The accompanying table reflects the company's record during the past five years.

That the depreciation charges constitute an element of undisclosed earning power seems apparent upon closer examination of the annual reports, which though very brief are worthy of careful study. To simplify the method of arriving at the true earning power, all calculations are based on the 307,340 shares of common stock of \$100.00 par value outstanding as of December 31st, 1926.

Analysis of comparative balance sheets for the years ending December 31, 1921, and 1926, indicate net additions of \$11,866,113 to assets. Summarized briefly the increases are due to the following:

#### INCREASE IN ASSETS AND DECREASES IN LIABILITIES

Shop equipment .....	\$1,802,213	
Office furniture .....	16,783	
Current assets .....	4,879,072	
Equipment notes .....	9,012,000	
		\$15,709,068

#### INCREASES IN LIABILITIES AND REDUCTIONS IN ASSETS

Tank car equipment .....	\$3,753,425	
Real estate .....	47,188	
Accounts payable .....	49,342	
		3,842,955
Net increase in assets .....		\$11,866,113

It is unnecessary to consider the changes in the common stock since this increase was due to the payment of stock dividends of 50%, 33⅓% and 25% in 1922, 1925 and 1926 respectively. The \$12,000,000 of preferred stock was retired at \$115.00 per share in December, 1926. The \$13,800,000 required for this purpose was obtained from the sale of \$13,000,000 4½% Equipment Trust Certificates due serially to 1936, and the remaining \$800,000 from current assets. The equipment notes together with the common stock constitute the company's only capital obligations. The premium in connection with the retirement of the preferred stock may be regarded as a write-off applicable to the common stock. The increase in assets together with the premium total \$13,666,113, an annual average of \$8.90 per share on the common stock for the period.

#### Heavy Depreciation Charges

Tank car equipment decreased \$3,753,425 since the beginning of 1922, notwithstanding the acquisition of 2,776 new cars worth on an average of \$2,000 per unit. This item amounting to \$5,552,000 was either charged to operating expenses or obscured by abnormally heavy depreciation charges, which totaled \$17,853,791 for the period. This is equal to 42.5% of the tank car equipment as of December 31, 1921.

As an annual rate of 5% is regarded sufficient for depreciation and in view of the fact that the cars are kept in first class condition in the company's own shops, it seems that approximately \$6,000,000 in depreciation may have (Please turn to page 794)

# Preferred Stock Guide

THESE stocks are selected as offering best opportunities in their respective classes taking into consideration assets, earnings and financial condition of the companies represented.

## For Income

### HIGH GRADE INVESTMENTS

RAILROADS	Div. Rate \$ per Share	Div. Times Earned— 5-Yr. Av'r/g	Redeem- able	\$ 5-Yr. Price Range		Recent Price	Yield %
				High	Low		
Baltimore & Ohio.....	4 (N)	7.8	No	83	55	80	5.0
Chicago & North Western.....	7 (N)	6.2	No	150	97	148	4.7
Colorado & Southern 1st.....	4 (N)	8.9	100	78	47	78	5.1
N. Y., Chicago & St. Louis.....	6 (C)	F3.7	110	110	83	109	5.5
Pere Marquette Prior.....	5 (C)	10.2	100	99	67	98	5.1
PUBLIC UTILITIES							
Columbia Gas & Electric.....	6 (C)	\$4.6	110	X110	X98	108	5.6
Hudson & Manhattan R. R. Conv	5 (N)	5.9	No	90	43	85	5.9
North American .....	3 (C)	7.3	55	55	42	54	5.6
Philadelphia Company .....	3 (C)	6.5	No	53	41	53	5.7
Public Service New Jersey.....	8 (C)	3.0	No	135	95	138	5.8
INDUSTRIALS							
American Smelting & Ref.....	7 (C)	3.3	No	133	93	134	5.2
American Steel Foundries.....	7 (C)	7.4	110	115	97	114	5.1
Associated Dry Goods 1st.....	6 (C)	4.8	No	112	82	112	5.4
Baldwin Locomotive .....	7 (C)	3.3	125	125	105	121	5.8
Brown Shoe .....	7 (C)	4.4	120	123	84	119	5.9
Endicott-Johnson .....	7 (C)	4.9	125	125	105	123	5.7
General Motors .....	7 (C)	12.0	125	125	79	125	5.6
Inland Steel Co.....	7 (C)	F8.0	115	118	96	116	6.0
International Silver .....	7 (C)	2.8	No	128	92	131	5.3
Studebaker Corp. ....	7 (C)	26.8	125	125	100	125	5.6

## For Income and Profits

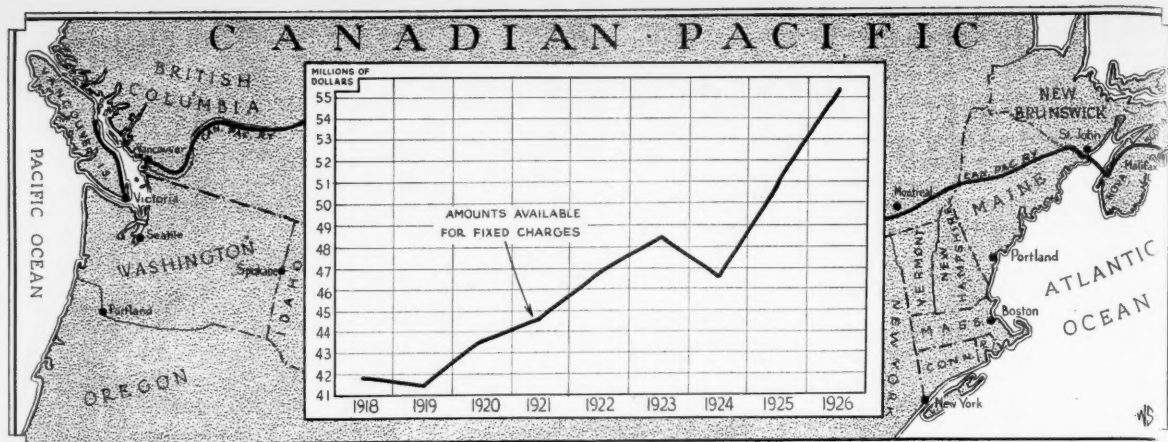
### SOUND INVESTMENTS

<b>RAILROADS</b>							
Colorado & Southern 2nd.....	4 (N)	7.0	100	75	35	74	5.4
Kansas City Southern .....	4 (N)	4.8	No	73	48	71	5.6
St. Louis-San Francisco .....	6 (N)	12.0	100	104	32	100	6.0
St. Louis Southwestern.....	5 (N)	2.6	No	94	54	92	5.4
<b>PUBLIC UTILITIES</b>							
Brooklyn-Manhattan Transit ...	6 (C)	H3.3	100	89	34	88	6.8
Continental Gas & Elec.....	8 (C)	T4.0	110	H110	H94	111	7.2
Electric Power & Light.....	7 (C)	1.7	110	109	89	107	6.5
Engineers Public Service .....	7 (C)	\$2.4	110	X108	X92	108	6.5
Federal Light & Traction .....	6 (C)	5.0	110	F100	F74	100	6.0
Kansas City Pr. & Lt.....	7 (C)	T3.1	115	116	91	116	6.0
West Penn Electric .....	7 (C)	.....	115	X110	X88	111	6.3
Standard Gas & Elec.....	4 (C)	2.5	No	66	46	67	6.0
<b>INDUSTRIALS</b>							
American Cyanamid .....	6 (C)	3.6	120	98	55	98	6.1
American Metal Co., Ltd.....	7 (C)	8.0	110	120	106	119	5.9
American Sugar Refining .....	7 (C)	1.6	No	116	77	102	6.8
Associated Dry Goods 2nd.....	7 (C)	6.9	No	114	64	119	5.9
Bethlehem Steel Corp.....	7 (C)	3.1	No	120	87	121	5.7
Bush Terminal Buildings.....	7 (C)	1.1	120	120	91	118	5.9
Central Alloy Steel .....	7 (C)	.....	110	H109	H106	110	6.4
Cuban American Sugar .....	7 (C)	6.9	No	107	92	103	6.8
Deere & Co.....	7 (C)	F1.7	No	125	70	118	5.9
Devco & Reynolds 1st.....	7 (C)	T6.1	115	113	90	114	6.1
Genl. American Tank Car .....	7 (C)	3.3	110	112	86	110	6.4
Gimbel Brothers .....	7 (C)	4.2	115	114	81	96	7.3
Goodrich (B. F.) Co.....	7 (C)	3.1	125	111	67	111	6.3
Pillsbury Flour Mills .....	6½ (C)	.....	110	±109	±104	112	5.8
U. S. Cast Iron Pipe .....	7 (N)	5.0	No	125	64	117	6.0
U. S. Industrial Alcohol .....	7 (C)	4.3	125	121	95	119	5.9

### SEMI-SPECULATIVE

<b>RAILROADS</b>							
Gulf, Mobile & Northern.....	6 (C)	1.6	No	112	44	105	5.7
Webash "A" .....	5 (N)	.....	110	101	23	92	5.4
<b>INDUSTRIALS</b>							
Bush Terminal Debentures .....	7 (C)	T1.8	115	H111	80	111	6.3
Consolidated Cigar .....	7 (C)	4.4	110	107	60	100	7.0
Goodyear Tire & Rubber.....	7 (C)	.....	.....	±98	±92	99	7.1
International Paper .....	7 (C)	1.6	115	H112	H96	105	6.5
Mid-Continent Petroleum .....	7 (C)	8.1	120	109	80	105	6.7
Orpheum Circuit Conv.....	8 (C)	3.0	110	108	84	100	3.0
Radio Corp. of America.....	3.5 (C)	F3.6	55	57	40	56	6.3
U. S. Smelt, Ref. & Mng.....	3.5 (C)	1.2	No	53	38	53	6.6
Universal Pictures 1st.....	8 (C)	7.6	110	H103	H90	99	8.1
Victor Talking Machine Prior.....	7 (C)	\$5.4	115	±102	±96	104	6.7

± Cumulative up to 5%. F—Four years. H—Three years. T—Two years. S—One year.  
X—Price range 1926. \$ 1923-1927. C—Cumulative. N—Non-cumulative. ± 1927.



## Canadian Pacific

# Brilliant Future for Trans-continental Giant

Unique Position of Canadian Pacific Among America's Railroads

By G. F. MITCHELL

**O**PERATING by far the largest mileage of any privately owned railroad on this continent, Canadian Pacific Railway Co. differs in so many respects from carriers in the United States as to be virtually a law unto itself as far as the usual standards of appraisal are concerned. The really fundamental distinction is to be found in the absence of the excessive governmental regulation to which the carriers in this country are subjected, the greater freedom of action permitting a broader field of activities and immunity from threat of earnings recapture, as well as being conducive to a permanently greater degree of confidence on the part of investors. This psychological advantage goes a considerable distance in accounting for the consistently higher market levels prevailing for Canadian Pacific ordinary shares on the New York Stock Exchange in relation to common stocks of railroads most comparable to it on the basis of tangible factors.

A considerable part of the interest inspired in Canadian Pacific is predicated on non-railroad activities, which are carried on to a far greater extent than would be countenanced by the Interstate Commerce Commission under its policy of regulating railroad affairs in this country, another manifestation of the fundamental difference in status already mentioned. These activities include the ownership and operation of a large fleet of ocean and coastal steamships, operation of a chain of hotels, and the handling of its own parlor and sleeping car lines, grain

elevators, express, telegraph and news services. The sale of land likewise represents an important source of income. At time of incorporation in 1881 the company received a land grant of more than 25 million acres which has been disposed of little by little until at last accounts there remained between five and six million acres. This item runs into several million dollars annually on the average, but, as it constitutes a liquidation of assets, the proceeds do not appear in the income statements but are simply credited to surplus accounts. Funds derived in this manner go a long way toward eliminating new financing which would otherwise be necessary, and the cash holdings alone provide considerable leeway for minor expansion requirements.

The working capital position resembles more closely that of a powerful industrial enterprise where the need for ample liquid assets is generally more urgent than in the case of the average railroad. The 1927 year-end balance sheet is not yet available, but the statement of a year earlier revealed a net working capital of over 60 millions, cash on hand amounting to 42.8 millions and total current assets more than four times current liabilities. Aggregate assets of all kinds, as carried on the books, were in excess of 1.1 billion, while the tangible asset value per share of stock was about \$184, a figure not far below the current market value of the ordinary shares.

Non-railroad earnings, segregated in the income statement as Special Income, provide 3% of the total annual

dividend on the ordinary stock of 10%. Special Income normally averages around 11 millions as against 3% dividend requirements of 7.8 millions on the basis of the ordinary stock capitalization in effect for many years prior to the increase recently authorized. There are presently to be 3.35 million shares outstanding instead of 2.6 millions as was formerly the case. Inasmuch as 10.05 million dollars will then be required to meet a 3% payment on the enlarged amount, it is evidently the intention to disburse in the future a considerably larger proportion of Special Income, if the same arrangement in regard to sources of dividends is to be continued, unless, of course, Special Income can be increased correspondingly. This prospect is accountable, at least in part, for the unusual activity in the stock prevailing in recent weeks. As far as 1927 is concerned, it has been officially announced that non-railroad income will be shown to have been little if any greater than during the previous year.

Another factor in the situation is the belief in some quarters that a segregation will be made of extraneous assets, a report that is difficult to submerge despite repeated denials. The management apparently feels that the varied nature of the outside activities provide a stabilizing influence in support of the major railroad operations, and that they can be handled more effectively through unified rather than separate operation. Probably the true value of the non-railroad assets would be more clearly revealed in the event of segre-

ation, but, on the other hand, it would have the effect of removing the element of mystery now prevailing to a certain extent, and, as long as the possibility always exists, stockholders are just as well off in the possession of these securities and in continued anticipation of future developments concerning them.

A considerable part of the speculative interest in Canadian Pacific arises in connection with the company's substantial holdings of Consolidated Mining & Smelting stock. This is a highly prosperous mining enterprise with properties located in British Columbia chiefly devoted to production of silver, zinc and lead. In reflection of the rapidly mounting earnings in recent years, the stock, of which Canadian Pacific last accounts owned slightly under one-half the outstanding amount, has soared to market levels well in excess of \$250 a share, giving a total market valuation of approximately 67 million dollars to these holdings. Dividends from this source are included in Special Income. With extras, they amounted to \$12.50 per share in 1927, the equivalent of about 3 million dollars. Consolidated Mining & Smelting is one of the lowest cost producers of non-ferrous metals in Canada. Liberal dividends have not prevented an ample reinvestment of earnings in the properties which are undergoing continual augmentation and development. Subject to the uncertainties inherent in any mining enterprise, there appear to be grounds for the belief that this investment will prove increasingly profitable as times goes on. General activity in mining shares, particularly in Canada, undoubtedly contributed towards the spectacular upturn in Canadian Pacific stock at the close of last year, entirely apart from whatever influence may have been exerted by rumors as to segregation of non-railroad assets.

Future possibilities of Canadian Pacific are by no means confined to its investments and secondary activities. First and foremost it is a railroad, and upon the status of railroad operations

will depend the worth of its securities as investments. Net operating revenues in 1926 made by far the best showing since 1917, and the same is true of share earnings on the ordinary stock which exceeded \$14 for the first time in that nine-year period, the exact figure being \$14.12 on 2.6 million shares. Gross revenues increased 14.7 millions over 1925 of which only 9.9 millions was absorbed by higher operating expenses, so that, measured by the gains in these items alone, operating ratio on the increased amount of business was less than 68% as against actual operating ratio on the entire volume of 77.3%. This merely illustrates the manner in which it might be possible to save a further proportion of gross for net in future years if a constantly greater tonnage of freight can be obtained on the average. The tendency for many years has been towards a lower operating ratio, the figure of 77.3% comparing with 84.7% in 1920.

This desirable trend of operating results suffered an interruption in 1927. Gross revenues were again higher but on a much more moderate scale, 3.1 millions' gain as against 14.7 millions the previous year, which may be attributed to a combination of late crops and lower grain rates. In the face of this gain, however, net operating revenues declined about 5.4 millions, a direct result of higher wage scales established during the year. Operating ratio for last year retrogressed to 80.4%, and inasmuch as the increase in operating expenses entailed in the item of wages is probably of a more or less permanent nature, it will be necessary to counteract it through economies which will develop naturally from a greater volume of tonnage from year to year.

The outlook for Canada's economic status strongly indicates the realization of materially greater total revenues over a period of years. The country, so undeveloped, as a whole, in comparison with the United States, appears to have reached a stage where rapid strides should be made in respect to the

attraction of investment funds and new population, agricultural and industrial expansion, and exploitation of natural resources. Increase in the productive capacity of the pulp and paper industry alone, while still ahead of consumptive requirements, is of great importance, and will eventually mean a much larger freight movement of that type of products, whereas the mining industry within a relatively short time has assumed a commanding position. Wheat production is still the primary activity, and on the basis of the proportion of arable land now cultivated, this too is capable of material expansion. Canadian Pacific itself has been no small factor in the past in directly assisting development of this character and should continue to be a potent force in this direction.

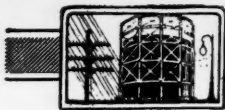
Development of the more sparsely settled regions of Canada would be of almost incalculable benefit to Canadian Pacific because of its present low freight density as compared with railroads in the United States. The system runs all the way across the continent, from St. John, New Brunswick, on the Atlantic Ocean through Lower Canada to Vancouver, British Columbia, on the Pacific Ocean. Operating over 15,000 miles of road or around 40% of the total Canadian mileage, the balance being under control of the Dominion Government, and with a demonstrated ability to make the most of the resources at its disposal, the chance for a permanently higher standard of earning power is bound up with the future of Canada. Union Pacific, a typically strong railroad in this country, has gross revenues per mile about 25% greater than in the case of Canadian Pacific. The former carries a materially greater freight tonnage on a far smaller aggregate mileage. Canadian Pacific, however, has the advantage of a low capitalization per mile, and if it could attain anything like the same standard of traffic density, the effect on earnings would be very marked. Whatever the future may bring forth in this respect, there

(Please turn to page 817)

## Canadian Pacific

	Gross Operating Revenues (Millions)	Net Operating Revenues (Millions)	Operating Ratio (%)	Special Income (Millions)	Share Earnings	Dividend Rate (%)	Price Range	
							High	Low
1918	\$157.5	\$34.5	78.1	\$7.9	\$10.97	10	175	135
1919	176.9	32.9	81.4	9.0	10.80	10	171	126
1920	216.6	33.2	84.7	11.0	11.39	10	134	109
1921	193.0	34.2	82.3	11.0	11.52	10	124	101
1922	186.7	36.3	80.6	11.1	11.66	10	152	119
1923	195.8	37.5	80.9	11.4	12.01	10	160	140
1924	182.5	37.2	79.6	10.0	11.01	10	156	143
1925	183.4	40.2	78.1	11.4	12.53	10	162	136
1926	198.0	44.9	77.3	11.1	14.12	10	170	146
1927	201.1	39.5	80.4	NF	NF	10	219	165

NF—Not available.



# Natural Gas Industry as a Field for Investment

Natural Gas a Public Utility? — Outlook for Further Expansion—Production Rates and Profits

By GORDON M. DAVIS

**W**HILE natural gas has been known to exist in this country for over a hundred years, it has been financed by public offering of securities in any large way only in the past twenty years and active public interest has developed in the past three years. The main medium of investment interest at the present time consists of first mortgage bonds running from five to fifteen years and carrying coupons of 5 to 7%, with almost always some provision for participating in future profits by means of stock option warrants or some similar device, and usually provided with exceptionally heavy sinking funds. There are other securities not falling into this group of great investment interest such as the Columbia Gas & Electric issues, but these should be treated apart.

Natural gas bonds are, therefore, a unique class of investments and individual companies vary widely in their investment characteristics while conforming generally to the above specifications.

## Three Phases

It is important for the investor to distinguish carefully among three phases of the natural gas business, one or more of which may be represented by the particular company whose securities he is considering. A producing company is good only so long as its fields keep on producing gas. It is true that in the present method of production a well running as low as fifteen thousand cubic feet a day is still considered worth while, whereas only a few years ago, a well of less than a million cubic feet a day was regarded as practically dry. Besides some companies like Columbia Gas & Electric maintain enormous reserves of proven gas producing acreage sufficient to supply demand at present levels for generations. The expected life of a field under proper control and management

***I**N view of the growing interest in natural gas company securities, we are publishing this article as an aid to intending investors. It covers the more characteristic phases of the industry and clears up the points which are likely to confuse the average investor in regard to this type of investment.*

is capable of calculation with reasonable accuracy. While it is not necessary to go into technical detail here, the principle is the measurement of rock pressure, i. e., the pressure of the gas in the sand which contains it and is enclosed under a layer of dense lime or shale whose penetration by the drill releases the gas. Initial rock pressure may range between four hundred and twelve hundred pounds to the square inch, and decreases steadily and proportionately as gas is withdrawn. Continuous readings of the pressure gauge and the gas flow meter permit the determination of the life of the well.

## Transportation and Pipe Lines

These points should be checked up by a competent and disinterested expert for the investor, where the company is interested in the production end. The second phase, transportation and pipe lines, is equally dependent on the life of the field served. A modern pipe line may be as much as two hundred and fifty miles long and as wide as thirty-six inches in diameter; the present day cost of construction is about \$25,000 a mile. When the field from which a pipe line runs is exhausted, the line which may represent an investment of several millions of dollars, becomes practically worthless.

Depreciation, or the provision of a sum out of earnings which will amortize the cost of the pipe line as well as

the acquisition and installation of equipment on the producing field, is therefore more than a mere bookkeeping item, and a substantial allowance for this purpose must be deducted from earnings before net profit available for dividends on the common stock is calculated.

## Public Utility Phase

Only the third phase of the natural gas business—the actual distribution to the ultimate consumer, truly entitled to be called

a public utility business. From a practical viewpoint it is independent of the life of the field. When the field serving a given city is exhausted, producers and pipe line operators from another field, perhaps hundreds of miles away, will be glad to contract with the distributing company to supply it with natural gas; a two hundred mile pipe line over flat country under normal conditions takes little more than a year to build. Should no natural gas be available within a feasible economic distance from the city to be served, it will be necessary to put up an artificial gas plant, for the people must be served, and it is the constitutional duty of the State public service commission to permit a utility to charge rates which will permit the performance of an essential public service on a basis which will allow the utility company a fair return upon its investment.

Barring highly exceptional circumstances, such a switch from natural to artificial gas will mean a very substantial increase in the rate charged. A recent calculation indicated that the average price of artificial gas throughout the United States was \$1.20 per thousand cubic feet, while the corresponding figure for natural gas is \$0.40 a thousand cubic feet, both rates being those quoted to domestic consumers; besides, the natural gas has, on the average, twice the heating value per volume, of the artificial gas. While the higher rate would

to limit consumption, which ranges from three to five times per capita in natural gas cities over the figure for manufactured-gas communities, the distributing company would lose nothing and would continue to earn the "fair return" on the gas mains, pipes, meters, and other property, tangible and intangible, used in the public interest.

### Natural vs. Artificial Gas

While three-quarters of all the gas used in this country is natural gas, only about one-eighth of the population uses it. Among the two thousand communities receiving natural gas service are Pittsburgh, Los Angeles, Cleveland, Cincinnati, Kansas City, Dallas, Louisville and Buffalo. The great bulk of natural gas consumption is in industrial uses, in the glass, enameling, metallurgical, baking, brass making, dye casting, galvanizing, ceramic and hundreds of other industries.

The economics of natural gas differ from those of artificial gas; there is no raw material cost, storage capacity does not have to be built, the pipe lines, serving the purpose, and overhead constituting the main element of cost. Accordingly, the large industrial consumer receives a substantially lower rate than the small domestic user, often a half of the domestic rate or less, the low cost per thousand cubic feet of piping, metering and bookkeeping helping to make this large scale low cost business very profitable.

At the same time, the large preponderance of industrial over domestic business induces a certain degree of susceptibility to industrial fluctuations. Because of the rapid extension of the uses of natural gas in various industries, and the fact that much gas has been produced in connection with the development of new oil fields, and had to be disposed of in some way or other, this liability to fluctuation has not been

especially noticed in the past except for a 5% drop between 1924 and 1925 (according to Government figures, contradicted, however, by some private sources). It may become a factor of increasing importance, however, as time goes on.

### Gasoline Content

The natural gas industry is also subject to fluctuations of a different kind. Over 90% of the natural gas of this country contains substantial quantities of gasoline vapors, which can be recovered by condensation or absorption to form an exceptionally high grade gasoline. This "natural gasoline" is very light or in an extreme form "wild," it can be used with very little modification for aviation purposes where a very high grade "gas" is required or to blend with lower grade refinery gasoline, as produced from heavier fractions of the crude oil by any of the numerous cracking processes in vogue, to bring up its quality by making it more volatile and hence more efficient in the automobile motor. About one gallon of natural gasoline is used in every ten gallons of commercial gasoline sold.

The recovery of gasoline from "wet gas" ranges from 350 to over 1,000 gallons per million cubic feet treated. Such recovery has been practiced only since 1913; in 1926, 1,357,000,000 gallons of natural gasoline were produced, with an estimated value around \$144,000,000. Value of natural gas sales for the year would be according to private estimates about \$275,000,000, so that this by-product added some 53% to the income on the approximately \$1,600,000,000 of capital invested in the natural gas industry.

While the selling price of natural gas to the industrial or domestic consumer is fixed by a public rate making body, which in some sense is charged with the duty of seeing to it that the

utility business operates at a fair return, the gasoline end of the business is under no such supervision and has no such guarantees, its prices being fixed by the open competitive market for oil products. In 1927, prices declined very considerably with a corresponding direct cut in net income, as operating expenses obviously could not have been reduced to correspond with the low dollar volume of sales. In respect to a very important part of its income, therefore, the natural gas business is not, from the standpoint of investor protection, a public utility.

### Carbon Black

Intimately connected with the natural gas industry is the manufacture of carbon black. This substance, a close relative of lamp black or soot, is obtained by burning natural gas against a metallic surface from which the black is scraped off as deposited. Based on latest figures, between 180 and 200 million pounds of this substance are produced per annum, the recovery being between one and two pounds per thousand cubic feet of natural gas burnt. It sells around 5½ cents per pound, so that the gross revenue to the natural gas industry from this source is about \$11,000,000 annually. A few years ago it sold between ten and twelve cents a pound but production has tripled or quadrupled in the past eight years, new supplies of natural gas having been made available faster than new sources of demand could be opened up.

About half of the annual production of carbon black goes into the tire industry, where it is credited with having tripled the average life of a tire and having made possible the balloon tire; about 12% goes into the manufacture of printing ink, particularly, for high capacity newspaper presses, a pound of ink being estimated to be required for

(Please turn to page 815)

Table I—Growth of Natural Gas Industry

Year	No. of 1,000 Cu. Ft.	Value in Dollars	No. of Consumers
1906	338,842,562	46,873,932	884,018
1907	404,441,254	52,222,399	1,068,186
1908	402,140,730	54,640,374	1,177,979
1909	480,706,174	63,206,941	1,240,697
1910	509,155,309	70,756,158	1,345,989
1911	512,993,021	74,621,534	1,512,224
1912	562,203,452	84,563,957	1,637,493
1913	581,898,239	87,846,677	1,934,071
1914	591,866,733	94,115,524	2,090,985
1915	628,578,842	101,312,381	2,213,439
1916	753,170,000	120,227,468	2,380,772
1917	795,110,000	142,099,334	2,449,895
1918	721,001,000	153,553,560	2,525,124
1919	745,916,000	160,888,000	2,525,849
1920	798,210,000	196,194,000	2,635,968
1921	662,052,000	174,617,000	2,651,904
1922	762,546,000	221,535,000	3,015,000
1923	1,008,135,000	239,968,000	3,234,000
1924	1,141,482,000	253,830,000	3,443,000
1925	1,188,439,000	265,184,000	3,536,000
1926 (est.)	1,356,000,000		

Table II—Production of Natural Gasoline

Year	No. of Gallons	Value in Dollars
1911	7,427,000	531,704
1912	12,081,000	1,187,476
1913	24,061,000	2,458,443
1914	42,653,000	3,105,909
1915	65,368,000	5,150,823
1916	103,493,000	14,331,148
1917	217,884,000	40,188,966
1918	282,536,000	60,363,535
1919	351,535,000	64,196,763
1920	384,744,000	71,788,122
1921	449,934,000	61,815,258
1922	505,832,000	72,711,063
1923	816,226,000	77,263,000
1924	983,861,000	82,233,000
1925	1,127,470,000	120,383,000
1926 (est.)	1,350,000,000	

Table III—Carbon Black—Production and Average Price by Years

Year	Production Lbs.	Avg. Price Cents
1919	52,057,000	7.3
1920	51,322,000	7.9
1921	59,766,000	9.1
1922	67,795,000	8.6
1923	138,263,000	8.5
1924	186,872,000	6.2
1925	177,417,000	5.4

# Building Your Future Income



TO-DAY-The Young Executive



TO-MORROW-The Business Leader

*This department is the contribution of The Magazine of Wall Street to the financial education of the nation's present and future investors and business executives.*

*Through this medium we extend to our subscribers an opportunity to assist us in spreading the doctrine of safe and sound investment by using these pages as a practical guide to financial success in their own homes and offices.*

## Reserves

**U**NLESS we pause to reflect a moment, we are apt to think that reserves are the exclusive property of corporation accountants to be used in the compilation of the yearly financial statement. Yet the idea that is represented in these common items is as old as nature itself and at the same time is as modern as the skyscraper completed this morning.

It is difficult to imagine any one other idea that has a more universal adaptation than the idea of establishing a surplus of something, over and above the needs for it at the moment. Nature itself furnishes us many examples of the practice of creating reserves. The seed, for instance, has its store of fats, proteins and other foods, useless at the moment, but life giving when the young tree or plant begins its earliest growth. The surplus vitality stored in the human body, that many of us draw upon more lavishly than wisely, is another example where we are all familiar with.

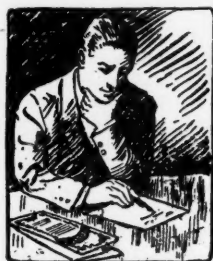
And in the modern monuments of the present civilization, we find reserves everywhere. The huge steel bridges that span our rivers have a reserve of strength or factor of safety, carefully calculated by the engineers which erect them. The easy riding motor car, purring along at 40 miles

an hour, has a definite reserve of both power and speed that the driver may draw upon when desired. The great trans-Atlantic steamships are amply provided in reserves of fuel, food and water to insure both the comfort and the safety of the human life on board. Our gas and electric companies are prudently equipped to supply their communities not merely with the normal demands of the moment but also with reserve equipment that can be used in the case of emergency needs.

The existence of these reserves everywhere is not an accident; there must be reserves to tide over lean times; to cope with emergencies, and, to take advantage of opportunities.

Back of all saving, whether it is in the reserves of a great corporation or in the savings bank deposit of a single individual, the same idea is represented. To have merely enough to meet the normal needs of the moment, is not really enough. Life is not made that way. It is comprised of forward and backward strides; or good times and bad times; or normal demands and abnormal emergencies. If we would profit by the examples of human experience that confront us everywhere we, too, must have our reserves to draw upon as we go through life.

"Intelligent Use of Present Income Will Assure Financial Independence."



## How To Analyze Your Investment Holdings

A Series of Educational Investment Articles

U. S. Smelting, Refining & Mining Co.

7% Cumulative Preferred Stock (\$50 par)



THE properties owned and operated by the U. S. Smelting, Refining & Mining Co., are unusually diversified both as to mineral output as well as to geographical location. Holdings in the United States are located in Utah, Nevada, Colorado, Arizona, New Mexico and West Virginia, with one of the heaviest silver producing properties in Mexico and extensive gold dredging operations in Alaska, which were started in 1926 and have become an increasingly important phase of the company's activities. Other minerals are zinc, lead, iron and coal.

The severe slump in silver prices threatened the company's earning power in 1926 but this threat has since largely dissipated through a partial recovery in the values of the white metal and a growing recovery of gold from the Alaskan properties. Efforts of the management to hold operating costs to a minimum plus the naturally diversified interests of the company have tended to hold earnings on an unusually stable basis during the past three years at a net income of around \$3,000,000 annually.

This figure is arrived at after very liberal write-offs each year for depreciation and depletion, a policy that does not reflect the real earning power of the company's properties in the financial statements. Taking the income statements at their face value,

however, a very comfortable surplus net income over the requirements of the preferred shares is indicated. At present the \$3.50 annual dividend on this issue is covered about twice over.

U. S. Smelting has a comparatively small issue of 5½% gold notes outstanding (of 8 million dollars face value) as the only fixed debt standing ahead of its two classes of capital stock. The outstanding capital is comprised of an issue of \$24,317,775 (\$50 par value) 7% cumulative preferred stock and \$17,555,888 (\$50 par value) common stock. Dividends on the former issue have been maintained without interruption at the annual rate of 7% (or \$3.50 a share) since the organization of the company more than twenty years ago, while dividends have been paid intermittently on the common, amounting at present to \$3.50 a share. The preferred shares are well protected in equities, having a book value of around \$125 a share or about 2½ times their par value. Although the preferred shares were somewhat disturbed in market value at the time when lower silver prices were expected to impair the company's earnings, the influence was psychological rather than actual and values have long since been restored, to a level more nearly in line with sound investment value at a rate of income not unattractive.

## BYFI'S INVESTMENT SUGGESTIONS

These investment recommendations are now a regular feature for the guidance of BYFI readers. With the original selection of each issue, safety of principal has been a foremost consideration. Each issue is watched continuously and will be replaced at any time that it may become unfit for retention. Such changes will, of course, be brought to the reader's attention, if and when they occur.

### THE FIRST \$500

	Approximate Price	Yield to Maturity
Savings banks accounts are recommended for deposits of regular savings, to yield.....	...	4 to 4½%
Shares of well managed Building & Loan Assn. are recommended on the monthly payment plan	...	5 to 6%
Endowment Insurance is a suitable medium for the investor and yields a return of.....	...	3 to 3½%
*Laclede Gas Light 1st and ref. 5½%, 1953...	105	5.15%

### THE NEXT \$1,000

†International Mercantile Marine 1st & Coll. 6s, 1941	106	5.35%
*Montreal Tramway gen. & ref. 5s, 1955	100	5.00%
†N. Y. Steam Corp. 6s, 1947	108	5.34%
†Western Pacific 1st 5s, 1946	100	5.00%

\*Available in \$100 units. †Available in \$500 units.  
‡Recommended to hold only.

### \$5,000 FOR INVESTMENT

	Approximate Price	Yield to Maturity
Cuba R. R. 1st 5s, 1952	99	5.08%
Shulco Co., Inc., Guar., Ser. "B" 6½s, 1946..	104	6.10%
U. S. Rubber 1st 5s, 1947	96	5.35%
West Penn Electric \$7 Pfd.	111	6.30%
U. S. Smelting & Ref. 3½% Pfd.	53	6.60%
American Sugar Refining \$7 Pfd.	104	6.70%

### THE NEXT \$5,000

Seaboard Air Line 1st Cons. 6s, 1945	91	6.90%
Nassau Electric 4s, 1951	58½	7.95%
Western Maryland 1st 4s, 1952	85	5.08%
Brooklyn-Man. Tr. \$6 Pfd.	88	6.80%
International Paper, \$7 Pfd.	107	6.50%
‡American Tel. & Tel. common (\$9)	179	5.05%

# Buying a Home and Paying for It Out of Current Income

An Article Devoted Largely to the Financing Side of Home Ownership

By V. C. McKENZIE

**T**HE purchase of a home is the "biggest" business deal that most people put over in a life time. Home-Ownership usually represents the investment of the fruit of a number of years of saving. For this reason it requires more consideration than the purchase of a ten-cent cigar or a family flivver.

The prospective purchaser must determine the permanency of his job and if he is satisfied with his work. If one's work is of such a nature that it is necessary for the family to move from city to city at comparatively short intervals or if the man feels that greater opportunities are "just around the corner"; then a home of his own is something he does not want. Real estate is not a very liquid investment, strictly speaking, and cannot be carried about in a trunk like stocks and bonds.

Before crossing the threshold of our future home there are certain definite problems to be solved; not as individual items but in relation with each other so that one will tie into the other. Briefly they are: location, type of house and financing. Each of these is a big question. The first two considerations are primarily a matter of individual cost and for that reason this article will be limited largely to financing.

How much should a family pay for a home? First of all the Home-Buyer must take stock of his savings to find out how much he has available to pay down on the property. To be safe, a Home-Buyer should have at least 20% of the purchase price for a down payment. Unfortunately many people would never own a home if they had to wait until they had accumulated this amount.

For those who cannot build up a

down payment through ordinary saving channels their only hope to safely attain a home is to buy a vacant lot in a good locality and pay for it by small monthly payments. This system is very costly as a rule, but some must pay the price for such forced saving.

After settling the question of a down payment the next problem to determine is the relation of the cost of the property to the income. Conditions will vary from family to family, but a good rule to follow is to limit the cost of the property to 2½ times the annual income. Now, how much can we pay on a home each month? The payment should be limited to from 25% to 35% of the monthly income.

A person can afford to pay more on a home than he can for rent because a part of the payment on a home represents saving. When considering the amount to pay on a home each month we must not overlook the fact that provision must be made for taxes, insurance, repairs and depreciation. As a rule this is the biggest stumbling block, for many would be home-owners, and is not fully realized until the first tax bills come due.

By applying the principles set forth above, we will work out a problem in home financing for a family of four, having an income of \$2,400 per year. The maximum amount which this fam-

ily can afford to pay for a home is \$6,000. We will assume that this family is one of the exceptional types and has 20% of the purchase price, \$1,200, to pay down on the property. I hope no one will gain the impression that I am a pessimist but I have found from experience that very few people have the proper down payment to make at the time they decide to buy a home.

About \$200 of the down payment will be consumed by financing expenses. The purchaser may not realize that he is paying a financing charge because more than likely it will be covered up in the sale price, by paying \$6,200 for a \$6,000 place. Regardless of how these expenses are accounted for, the purchaser will assume a \$5,000 debt.

Now, how is this debt to be paid? At this point the greatest care must be exercised. Unfortunately the usual practice is for the buyer to submit meekly to the demands of the seller. For this reason many of our friends are struggling under a debt which is putting gray hair in their heads before their day. We will make a first mortgage for \$3,000 payable in five years with interest at 6% payable semi-annually. The \$2,000 balance is made in a second mortgage, with interest at 6% and a payment on the principal, payable monthly; balance of principal payable at the end of five years. Both mortgages provide for repayment of

balance due on principal before maturity by paying not more than 30 days advance interest. After budgeting living expenses the family finds that it can afford to pay 30% of its monthly income, \$60, on the home, as a part of the payment will represent saving. The accompanying table shows how these monthly payments are apportioned.

Of course, taxes, insurance, repairs

## Here's How We Pay for Our Home as We Earn

Items	Percent per Annum of Purchase Price	Monthly Distribution
Taxes .....	1½	\$7.50
Insurance .....	¼	1.25
*Repairs .....	1¼	6.25
Interest on First Mortgage at 6% per annum.....		15.00
Interest on Second Mortgage at 6% per annum, payable monthly .....		10.00
Payment on Second Mortgage, payable monthly....		20.00
<b>Total monthly outlay.....</b>		<b>\$60.00</b>

\*Depreciation is not included in this figure. While depreciation should not be overlooked by the Home-Buyer, his budget need not provide for it directly during the life of the loan; because the life of the house will exceed the life of the loan and depreciation can be provided for after the loan is paid.

and interest on the first mortgage do not require a cash outlay each month in the amounts shown above; but fall due at various times of the year. To properly care for these irregular items the Home-Buyer must start a saving account and put aside each month one-twelfth of the average annual outlay, \$15 in this case. For a new home the repairs will be comparatively negligible for the first year or two, thus a balance will be built up for this account at first. The interest on the second mortgage decreases \$0.10 per month because of the monthly pay-off of \$20 which will decrease the balance due and interest will be charged only on the remaining balance.

Following this system out, at the end of five years the Home-Buyer will owe \$3,000 on the first mortgage and a balance of \$800 on the second. During this period, his equity will increase from one-fifth to one-third of the purchase price. He has paid rent of \$40 per month, as \$20 of the \$60 represented saving. To be exact we should consider the interest which the down payment of \$1,200 could earn if invested elsewhere. At 6% this would amount to \$6 per month giving a total rent of \$46, a very reasonable rent for this property.

#### Refinancing on the B. & L. Plan

A short time before the five year period is up the local Building and Loan Association should be consulted about refinancing the loans. Most associations will be glad to make a \$4,000 loan on a \$6,000 piece of property, as many associations make loans up to two-thirds of their appraised value of the property. Loans up to this amount are perfectly safe on small homes because the borrower begins immediately to pay, what in effect is a reduction of the debt, at the rate of about  $\frac{1}{2}\%$  per month, plus interest. The cost of refinancing will amount to \$150 to \$200, which will leave about \$3,800 as the net proceeds of the loan.

A payment to most Building and Loan Associations of about \$11.50 per month per \$1,000 borrowed, pays in-



terest and will build up a fund to repay the loan in from 11 to 12 years. When securing a loan from a Building and Loan Association the borrower becomes a stockholder. The borrower usually subscribes for one share of stock for each \$100 borrowed. A part of the monthly payment is applied on the stock and in from 11 to 12 years the payments plus the accumulated profits mature the stock to \$100 per share. The maturity value of the stock gives the borrower the money with which to clear his home of debt. The outstanding advantage of a Building and Loan loan is: once the loan is made it stays put 'till paid. Thus, refinancing charges are eliminated and the home is eventually free of debt. Two big points every home buyer should look to with keen interest.

The Building and Loan figures are based on one plan offered by an association operating in Missouri. A monthly payment of \$11.50 per \$1,000 borrowed, pays interest and matures stock to pay a loan in about 136 months.

Under this plan we still save \$20 per month but the monthly payment is \$1 more, due to a little higher gross interest rate. The gross interest rate must not be confused with the net interest rate which will average about  $5\frac{1}{2}\%$  over the life of this loan. Multiply the monthly payment (\$46) by the number of months required to pay the loan in full (136) gives \$6,256, which is \$2,456 more than the amount received from the loan originally. Thus the net cost of the loan is \$2,456 for the 11 years and 4 months period, being at an annual rate of about  $5\frac{1}{2}\%$ . Some close students of the subject may contend that we should consider

the interest which could be received on the \$20 a month payment on the stock if it were deposited in some safe savings institution rather than on stock pledged on the loan. I will admit that this is a possibility but I ask: how many people will make the deposit, month after month, unless they have an obligation like this to meet? The mere fact that the Building and Loan loan does not require any refinancing, thereby saving such expenses from two to three times during the life of the loan; and to know definitely that the loan will be paid, more than offsets any benefits of such remote calculations.

#### The Three S's of Home Owning

Under this plan the Home-Buyer knows at the start just how his problem will work out. The debt is limited to what he can afford to carry. Provision is made each month for the cost of carrying the property as well as the direct payments on the loans. There will be no "financial jams" when taxes or insurance fall due; nor when repairs are necessary. Summing it all up, the three S's of successful Home - Ownership have been followed: go Slow, be Sure, and you will be Safe.

#### Here's Where Our Payments Go on the Last Lap

Items	Percent per Annum of Purchase Price	Monthly Distribution
Taxes .....	$1\frac{1}{2}$	\$7.50
Insurance .....	$\frac{3}{4}$	1.25
*Repairs .....	$1\frac{1}{4}$	6.25
Payment on 40 shares of stock at \$0.50 per share..		20.00
Interest on \$4,000.00 at \$0.65 per month per \$100.00 borrowed .....		26.00
<b>Total Monthly Outlay.....</b>		<b>\$61.00</b>

\*Depreciation is not included in this figure. While depreciation should not be overlooked by the Home-Buyer, his budget need not provide for it directly during the life of the loan; because the life of the house will exceed the life of the loan and depreciation can be provided for after the loan is paid.

# Income Insurance for Teachers and Others

Advice to Readers Who Are Looking to Life Insurance  
As a Savings Medium Or for Old Age Income

By FLORENCE PROVOST CLARENDON

Insurance Editor:

Will you please give me your opinion of the contract called an "Income Bond" and whether or not it might well find a place in my plans for retirement income?

I am a private school teacher and can look forward to no pension from the state; I have no one dependent on me and neither have I anyone to whom I can, or rather, desire to look for support in my last years. Like all women who are earning enough to be independent at the present time, I am much concerned as to the best means by which to provide my income.

An agent of the \_\_\_\_\_ Company has interested me in an Income Bond but I have talked about it to several friends who say that I can do just as well investing my savings myself. However, as I have had absolutely no business training in all my life and have never ventured to put my money in anything but the savings bank, it is plain to be seen that I will welcome wholly disinterested advice.

Your reply will be received with a deal of gratitude. I assure you.

Yours very truly,

Miss M. L. L.

Replying to your recent letter, I am glad to give you the information you desire, although it must be approximate as you have omitted to state your age. Assuming for convenience, however, a fair average age of 35, the premium for an Income Bond providing \$100 a month in the company you mention would be approximately \$428 annually, payable for twenty-five years.

If you were paying this \$428 into a saving bank and accumulating it regularly at 4% interest at the end of twenty-five years you would have approximately \$18,400. This is a good deal more than the guaranteed surrender value of the Income Bond—but the premiums payable for the Income Bond are participating premiums, and in all probability the dividend earnings would offset the difference.

There is a great advantage in a contract of this kind that it exercises a gentle compulsion on you to set aside this sum each year; whereas if the question were left to your own volition it is likely that some temptation would come along to prevent you from keeping up your good resolutions to save.

Friends who suggest that you can invest a sum like \$400 a year at 6% interest without any extra risk or bother, are not well advised. In our judgment it is impossible for an investor in your situation to do much better than the savings banks do—namely, 4% or 4½% interest—on annual accumulations of \$400 or \$500. You must remember that you cannot afford to take chances in investing the proceeds



of this thrift fund you are, through self-denial, building for your old age maintenance.

As a teacher and in a state where there is no State Pension Fund, we would consider that you might be eligible to apply for annuity through the Teachers Insurance and Annuity Association of America, organized as you doubtless know at the instance of the Carnegie Foundation, and endowed by this latter. This endowment pays for the overhead expenses of the Association so that life insurance and old age pensions may be obtained by those eligible at a substantial annual saving in premium cost. We would suggest that before making a final decision, you communicate with the above named Association, whose address is 522 Fifth avenue, New York City.

## What Insurance Now?

Insurance Editor:

Some time ago you favored me with information relative to the insurance I was carrying, but my status and income has since changed and I respectfully request you that you give this information on my present basis.

I am 32 years of age and earning \$60.00 per week. I am married and have three children. I am buying a \$10,000.00 house on contract on which about \$8,000.00 is still unpaid.

I have \$9,000.00 Metropolitan Whole Life Insurance, and \$1,000.00 Endowment at 60 (4 premiums paid). My wife has \$1,000.00 20 payment life (6 years paid). Each of the children have

little 25¢ a week policies with the Metropolitan. My expenses are average, allowing no inordinate expenditures. I would like you to prepare a sample budget, using the above. My total insurance amounts to about \$250.00 per year.

Please favor me as in the past with your opinion on the amount and the plan of insurance and prepare a sample budget.

Thanking you for this service I am,

Yours very truly,

P. P. K.

With a young family to maintain, growing children to educate and a home to pay for, you must continue to exercise self-denial and economy to divert more of your annual income towards the payment of life insurance premiums,—while your income is at its present status of \$60 a week.

We have not made a practice of drawing up sample budgets for correspondents, such as you request, but are glad to offer suggestions regarding your life insurance coverage, which is carried with a good Old Line institution.

A practical plan, which has proven workable in many instances, is to divert 10% of the annual income towards the payment of life insurance premiums, and 10% to other conservative modes of saving or investment. You are now personally carrying \$10,000 coverage, and presumably pay the premiums on your wife's policy for \$1,000 and the weekly premiums on the "industrial" insurance for the children.

You do not say in what manner you have arranged for the payment of the proceeds of your policies, in event of death. We would suggest that the \$1,000 policy be paid in a lump sum; and the policy for \$9,000 be left to the beneficiary as income, over a term of years, or for life as you may consider best. If over a period of 10 years, this would provide an income for the family, even if a modest one, for a long enough time to admit of their attaining some degree of independence through some type of employment.

I would suggest that you apply for a policy with the Metropolitan Life on their "\$5,000 Special" form under which at your age, 32, the annual premium would be \$109.60—requiring a saving of less than \$10 a month to meet the cost. This additional coverage in event of your death occurring prior to your house being fully paid for, could be used to offset part of, perhaps all, the uncompleted payments.

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President.

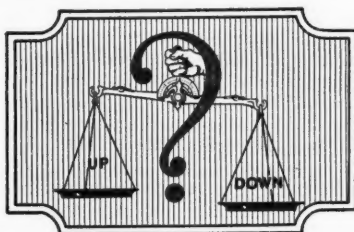
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# Income Tax Department

Conducted by M. L. SEIDMAN

*The income Tax Department will appear regularly until the first March issue. Inquiries will not be answered except in these columns. The department is conducted by Mr. M. L. Seidman, C. P. A., a well-known tax expert and a close student of its various phases. Mr. Seidman, a member of the firm of Seidman & Seidman, is on the tax committee of the New York Board of Trade and Transportation.*

IN the last article we started on the question of how to arrive at the amount of income on which the tax is to be paid. We first got out of the way the income that is not taxable. We are now ready to discuss those items that are.

Generally speaking, all profits must be reported. But just what do we mean when we use the word "profit"? In the commercial world we say that a profit is realized when property is sold for more than what it costs. The income tax definition accepts this general view, but there are a number of exceptions. Furthermore, what do we mean by cost? For instance, what is the cost to us, if any, of property that we receive as the result of a gift or by bequest? These and other considerations surround the subject. Let us see whether we can tersely review some of them in this article.

## Importance of March 1, 1913, Values

The first thing we find is that it makes a very substantial difference if the property was acquired before March 1, 1913. March 1, 1913, has a special significance for income tax purposes. It marks the day that income taxes became constitutional. Before then no tax on income could legally be imposed. Any profit, therefore, that accrued prior to March 1, 1913, is non-taxable.

It is accordingly provided in the law that where property was acquired prior to March 1, 1913, the basis for determining gain or loss shall be the actual cost of the property or the March 1, 1913 value, whichever is higher. For example, if United States Steel stock was bought in 1910 for \$60 a share and had a March 1, 1913 value of \$90 a share and was sold in 1926 for \$160 a share, the taxable profit would be \$70 a share; that is, the difference between the sales price of \$160 and the March 1, 1913 value of \$90. The actual profit is \$100 a share, but \$30 of this is deemed to have accrued prior to March 1, 1913.

Now let us take the reverse situation. Let us assume that the stock was acquired in 1910 at a cost of \$160, that

the March 1, 1913 value was \$90, and that it was sold in 1926 for \$60. The loss allowed would be \$100 a share, because it would be figured on the basis of actual cost, that being higher than the March 1, 1913, value. It will thus be seen that where March 1, 1913 values become a factor, the law allows the larger loss and taxes the smaller profit.

## Bequests

There is some confusion at the present time concerning the way to arrive at profit or loss when the property that is sold has been inherited. The Government rules one way, but the courts are holding another. The Government says that the cost of the property is to be taken at what it cost the person from whom it was inherited. The courts, on the other hand, say that what the decedent paid for the property is immaterial, and that what counts is the value of the property at the time it is received from the decedent's estate.

It is interesting to note that the Government once took the point of view that the courts are now declaring, but recently changed about and adopted the basis of the cost to the decedent. The question will not be settled until the Supreme Court rules upon it.

## Profit on Sale of Gifts

Gifts, however, as distinguished from bequests, have a somewhat different status, depending upon when the gift was made. Up through the Revenue Act of 1918, the law was that where property was acquired by gift, the cost to the recipient of the gift was deemed to be the value of the property at the time of the gift. However, this was found to provide a very convenient means of tax avoidance. A husband owning property on which there was a substantial increment in value over his cost, would make a gift of it to his wife just before a sale was contemplated. She would make the actual sale and there would be no tax all the way around. This loophole was plugged up in the Revenue Act of 1921, and all the succeeding laws, by the provision that in the case of gifts made after December 31, 1920, the basis for determining gain or loss to the recipient shall be the same as it would have been to the person making the gift. In other words, now if a husband buys stock at a cost of \$10,000 and he gives it to his wife when it has a value of \$20,000, and she immediately goes out and sells the stock for \$20,000, she is subject to a tax on a profit of \$10,000, as her cost of the stock is deemed to be the cost to her husband, namely, \$10,000.

## Additions and Depreciation

Further variations as to what is meant by cost can be best seen in the case of real estate. A parcel of real estate we will say is acquired at a cash cost of \$10,000. Over a period of time, improvements and betterments will be made to the property. These additional expenditures can be added to the original cost in determining gain or loss when the real estate is sold. On the other hand, the law allows a deduction each year for depreciation (assuming that the real estate is held for profit). This allowance is regarded as returning to the taxpayer so much of his original cost. Hence, when the property is sold, the cost must be reduced by the amount previously allowable for depreciation throughout the entire period that the property was held. Many taxpayers have found themselves facing additional assessments because they failed to consider depreciation in arriving at cost and therefore at profit.

Let us illustrate just what is involved. A purchases a piece of real estate in 1916 for \$100,000. We will assume that of this cost, \$75,000 is attributable to the building and \$25,000 to the land. We will also assume that the building had an estimated useful life at the time of fifty years. This would mean a 2% depreciation allowance each year. Now, we will also suppose that the property is sold in 1926 for \$90,000. On the face of the situation, it would appear that a loss of \$10,000 was sustained since the property originally cost \$100,000. The fact is, however, that there is a profit of \$5,000, since the cost must be adjusted by ten years' depreciation. We said that the depreciation was 2% a year on \$75,000. That amounts to \$1,500 a year or \$15,000 for ten years. The adjusted cost is, therefore, \$85,000. Since the property was sold for \$90,000, there is a profit of \$5,000.

Profit on the sale of property is only one of the elements entering into the determination of taxable income.

## QUESTIONS AND ANSWERS

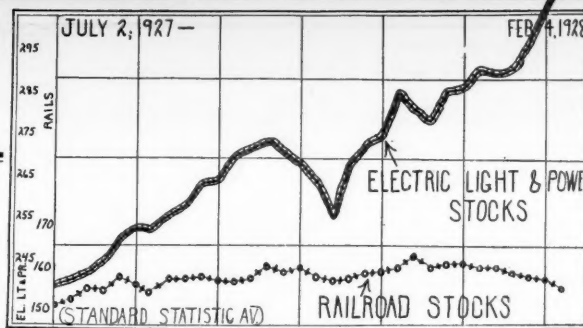
### Damage to Automobile

Q. During the year my car was in a collision, and it cost me over \$100 to get it back into shape. Am I allowed to deduct the cost of the repair work in my income tax return? J. T.

A. Under a ruling that has just been made, the cost of making good the damage to a car from an accident is deductible, even though it is a pleasure car. Up to the time this decision was announced, the Income Tax Department had consistently held the other way, regarding the item as a personal expense. The law permits a deduction for losses resulting from casualties, and the latest ruling looks at an automobile collision as a casualty.

### Sale of Stock Dividends

Q. During 1927 I sold 100 shares of (Please turn to page 823)



## what is wrong, here, with the rails?

**For seven months now, as compared with utilities and industrials, rails have lagged.**

☐ Rails have not been the RIGHT stocks to hold. See for instance—diagram at top—how much more profitable American Securities Service consistent recommendations of electric light and power stocks throughout this same seven months have been than if these funds were in rails.

☐ Earnings reports—which were what we looked forward to months ago in favoring those electric light and power stocks instead of the rails—now show 1927 railroad net revenues off more than 11%, compared with 1926. December net was the lowest since 1921. Leading stocks show declines like these in net per share—

	1926	1927		1926	1927
Atchison .....	23.41	18.50	Reading .....	11.23	7.55
Atlantic Coast Line.....	24.07	11.60	Baltimore & Ohio.....	17.20	11.50
Illinois Central .....	12.06	8.90	Colorado & South.....	13.44	7.60
Northern Pacific .....	8.48	7.47	Missouri Pac. pf.....	12.02	6.13
Lackawanna .....	10.50	8.95	Chesapeake & Ohio.....	24.64	24.11
Louisville & Nash.....	16.60	13.90	Southern Pacific .....	11.29	10.10

(Surplus earnings of subsidiaries not included in either year. 1927 figures based on preliminary income statements available.)

### Will rails go lower?—or instead are selected rails already a purchase now?

☐ What outlook for Chesapeake & Ohio, for instance, Erie and St. Louis Southwestern? Should Union Pacific, New York Central and Kansas City Southern be held—or exchanged into electric light and power stocks, now?

☐ Another clear-cut analysis, based soundly on facts, American Securities Service has just prepared for clients, on rails. Gives specific purchases, sales, and exchanges.

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## ANSWERS TO INQUIRIES

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The Personal Service Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. If you are a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. The inquiries presented in each issue are only a few of the thousand currently re-

ceived and replied to. The use of this personal inquiry service in conjunction with your subscription to the Magazine should help you to get hundreds or thousands of dollars of value from your \$7.50 subscription.

Inquiries cannot be received or answered by telephone nor can personal interviews be granted. Inquiries from non-subscribers of course will not be answered.

#### WHITE MOTOR

*A little over two years ago, I bought White Motor at 85 and have a paper loss of more than \$2,000. Do you think it would be better for me to take my loss and switch into some other stock or would you hold on with the view of selling out at a higher price.—M. K. G., Binghamton, N. Y.*

Reflecting falling off in demand for heavy-duty trucks, exceedingly keen competition, and credit losses, earnings of White Motor have declined sharply in late years. Although definite results for the full 1927 year are not yet available, it is expected that profits will not be sufficient to fully cover dividends at the reduced annual rate of \$2 a share established last year, and disbursements at the latter rate therefore do not rest on a wholly sound basis. New models of light delivery and fast express trucks introduced during the late year, and the White 6-cylinder 100-horsepower bus, are now in full production, which is expected to stimulate sales in ensuing months, resulting in arresting the downward trend in earnings. The company's strong financial position remains unimpaired, and while market action of the stock in the near future might be expected to reflect the actual publication of the poor 1927 report and the existing uncertainty regarding the safety of current dividends, present prices go far toward discounting the worst aspects of the situation, and we believe you would do well to retain for the time being at least, awaiting developments.

#### YALE & TOWNE

*I am a small stockholder in Yale & Towne and well satisfied with it as an investment. What caused the stock to recede from its advance to 85 last August? Is there any reason to worry about the future?—McK. W., Lynn, Mass.*

Yale & Towne Mfg. has been compelled to meet keener competition, resulting in some falling off in earnings,

but the company has succeeded in maintaining its dominant position in the field. Profits in the first nine months of 1927 were equal to \$3.72 a share on 400 thousand \$25 shares outstanding, against \$4.33 a share in the same period of 1926, and it is likely that results in the full year 1927 will run somewhat below the balance of \$6.32 a share reported in the previous year. That gave rise to some doubt as to the advisability of continuing year end extra dividends, a policy established in late years, and was reflected in some shrinkage in market prices of the stock from the high point reached last year. However, directors authorized the payment of an extra \$1 disbursement on December 1, 1927, bringing total dividends up to \$5 a share for the year. Financial position is impregnable, by virtue of which the company may be depended upon to more than hold its own under highly competitive conditions, and barring a most drastic falling off in earning power regular and extra dividends are likely to be continued. A fair income return is afforded at current levels, and reasonably long range prospects of price appreciation are favorable. We suggest holding.

#### Are You Sure of Your Broker?

*We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.*

*Subscribers wishing to avail themselves of the privileges of the Personal Service Department should be guided by the following:*

- 1 *Be brief.*
- 2 *Confine requests for an opinion to three securities.*
- 3 *Write name and address plainly.*

#### ELECTRIC BOAT

*As a subscriber to your magazine I am asking for information regarding Electric Boat of which I have been a stockholder for a considerable period. I paid 7½ for my stock, what about the prospects for dividends?—K. L. E., Kansas City, Missouri.*

While definite results from operations of Electric Boat in the full 1927 year are not yet available, profits are expected to compare favorably with those of 1926, when \$1.14 a share was reported, before amortization of patents and federal taxes, against 68 cents a share in 1925. The company is at present understood to be negotiating several contracts with foreign governments, which are expected to be closed soon, and it is believed to be in line to share, to some extent, in new business arising from the United States Government's program for building 32 new submarines. Latest balance sheet discloses a financial position in need of some improvement, which may be accomplished by the expected receipt, as a result of a suit, of from 4 millions to 5 millions from the United States Government. However, stockholders have a comparatively small equity in assets, and good-will and patents are heavily capitalized. Dividends do not

(Please turn to page 801)

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# Gillette

## SAFETY RAZOR COMPANY

### ANNUAL REPORT 1927

#### GILLETTE SAFETY RAZOR COMPANY BOSTON, MASS.

##### ASSETS—December 31, 1927

Cash . . . . .	\$5,754,010.75
Accounts Receivable . . . . .	13,867,593.39
Acceptances Receivable (See Contra) . . . . .	1,176,097.91
Notes Receivable . . . . .	270,121.93
Inventories . . . . .	6,946,259.30
Investments . . . . .	9,579,226.41
Real Estate, Machinery, Etc. . . . .	10,102,311.04
Patents . . . . .	1.00
	<hr/>
	\$47,695,621.73

##### LIABILITIES—December 31, 1927

*Capital Stock and Surplus \$43,760,162.39	
Reserves . . . . .	2,754,585.29
Acceptances Discounted (See Contra) . . . . .	1,132,340.68
Accounts Payable . . . . .	48,533.37
	<hr/>
	\$47,695,621.73

\*Represented by 2,000,000 shares of Common Stock having no par value.

BOSTON, February 13, 1928.

**Earnings** The net earnings for the year, including subsidiaries', are after ample reserves for taxes, depreciation and all proper charges against operations.

1927 . . . . .	\$14,580,902
1926 . . . . .	13,311,412
1925 . . . . .	12,089,857
1924 . . . . .	10,122,473
1923* . . . . .	8,411,776

\*Before taxes, reserves, etc.

**Dividends** Five dollars per share \$10,000,000 was paid in dividends to shareholders in 1927.

**Financial** Patents were charged down from \$3,459,500 to \$1.00.

Bad debts for the year 1927 were \$16,215 compared with \$18,001 in 1926 and \$8,400 in 1925, with a five-year average of \$28,909.

The Company's Investments are sound and are carried among the assets at cost, the present market value being \$800,000 in excess of cost.

A careful appraisal of the Company's property has been completed and indicates a present-day value of \$1,700,000 in excess of the amounts carried on the books.

Your Directors arranged during the year to have the Company's shares listed on the New York Stock Exchange.

**Sales** Business conditions in America were somewhat varied but the foreign business showed steady growth and the Company's position in the markets of the world improves with each succeeding year.

Sales of pile wires and textile edges for the manufacture of carpets have increased steadily and these articles are now regular equipment in many of the leading carpet mills in America.

This business is being developed in Europe as well and the future there is promising.

Surgeons' knives, chiropody knives, chisels, office knives and twine cutters have been added to our line during 1927 and the sales of these products in the future should prove very satisfactory.

**Manufacturing** The new and up-to-date factory buildings at our Boston plant have proven invaluable in the Company's operations.

The added space provided by these buildings makes possible the concentration of all the Company's operations on its own property and eliminates the necessity which has existed in the past of leasing many detached buildings for the purposes of the Company.

The Montreal and Slough plants have operated at full speed during the entire year and have been very helpful in meeting the increased foreign demand.

**Conclusion** Gillette products are on sale in every section of the world and the Management realizes its responsibility to render public service to its customers, wherever they may be.

We regret to record the death during the year of one of our oldest Directors, Mr. William A. Gaston.

Mr. John Gaston, his son, has been elected a Director to succeed him.

Submitted on behalf of the Directors,

*W. A. Gaston*  
Chairman.

KNOWN THE  WORLD OVER

GILLETTE SAFETY RAZOR CO., BOSTON, U. S. A.

*A New England Institution*

# In the Next Issue

## Special Feature Articles

### **Profit Opportunities in Industrial Companies Entering New Fields**

Under aggressive American management, many companies have embarked on new ventures as a means of utilizing their plant capacity. In some cases, this has increased or is likely to increase earning power to a material extent. In this feature, we have selected seven companies which have added to their lines of business and which are likely to augment their earnings. The securities of these companies, we believe, offer good opportunities to investors.

### **Effect of Presidential Campaign on Business**

Many business men are wondering whether business will be affected during the coming year by the Presidential campaign. Our Washington correspondent has made inquiries in certain important channels and in this article gives a highly authoritative picture of the situation.

### **The Trade-Mark in Security Analysis**

This article is one of the most original and valuable ever published on the important subject of measuring intangible values in security analysis.

## **WILL TELEVISION REVOLUTIONIZE BUSINESS PRACTICE?**

*(Continued from page 755)*

world's champion boxer will be received in the homes of fight enthusiasts an hour or so after the passing champion has been "counted out."

Television like telephoto is equally as well adapted for radio transmission as it is for wire transmission which opens up the future possibility of radio moving pictures. In connection with the first public demonstration of television, Dr. Frank B. Jewett, vice-president of the American Telephone & Telegraph Company, in charge of the demonstration, dropped a hint to the American public not to expect too much from "radio-movies" in too short a time. He said, however, "While research and development for the perfection of television will go on for years, enough has already been accomplished to indicate that it is likely to have a real place in the world's work of distant communication."

Its chief limitation at present is the fact that it requires a large group of different frequencies, or in other words the simultaneous use of a large number of telephone circuits or different radio wave lengths. For the nation to hear President Coolidge talk at Washington and at the same time "see" him making his address behind the microphone would make it virtually necessary for every broadcasting station to shut down so that a sufficient number of wave lengths could be employed for the transmission of a clear vision of the President. Research work is now being conducted which may be calculated eventually to overcome this limitation and provide other refinements in the technique of television that will more quickly bring it within the realm of commercial usefulness.

According to current news reports a Scotchman by the name of John Logie Baird, whose name has long been associated with television abroad has successfully transmitted the moving image of a man and woman across the Atlantic, from London to Hartsdale, N. Y. Crude as the result was said to be the experiment is of material significance as a forerunner of what may be accomplished.

In virtually every nation of the world scientifically trained men are working on various principles for perfecting and improving television. Now that it has been transformed from an inventor's dream to a reality, this research is given much new impetus. The forecast that ultimately one may both talk and "see over the air" is quite warranted by what has already been accomplished.

With the example still fresh in their minds of how radio broadcasting threatened to ruin the talking machine industry a few years ago, investors are asking what effect television will have on the moving picture concerns. To this question those who have been following television developments answer: *If and when* television is developed to a stage where it will lend itself to the broadcasting of moving pictures, concerts, theatricals and public lectures, it will undoubtedly have a profound effect on the moving picture industry. When people can receive such performances in their homes, it will naturally effect attendance at the moving picture theatres, even to an extent that may impair the capital invested in the moving picture companies. But such development is at least *from five to ten years away*, and there is at present *no grounds for apprehension on the part of those who hold securities in these concerns*. And, of course, it may be expected that with their huge capital investments at stake, the moving picture companies will make a strong effort to meet this new type of competition. Within the past two years we have seen phonograph manufacturers offset the serious inroads into their sales, threatened by radio broadcasting, through the introduction of orthophonic reproduction and the sales of combination phonograph and radio receiving instruments. Television may be just such a challenge to the ingenuity of the motion picture industry.

Improvement in the art of radio-telephony has been largely responsible for "talking moving pictures" in their present form. It is not unlikely that television may provide further improvements suitable for exploitation by the moving picture companies. Television at least, gives these two progressive industries a common interest. The Radio Corporation has recently obtained an interest in a moving picture company in recognition of this common interest and no doubt with the thought that future developments should bring these two industries in closer relationship.

\$4,400,000

# Inland Gas Corporation

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Series A

WITH STOCK PURCHASE PRIVILEGE

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Due February 1, 1938

Principal and semi-annual interest (February 1 and August 1) payable in gold coin at the office of the Corporate Trustee, New York, or at the option of the holder, at the office of the Continental National Bank and Trust Company, Chicago. Coupon bonds in interchangeable denominations of \$1,000, \$500 and \$100, registrable as to principal. Redeemable as a whole or in part by lot at any time upon thirty days' published notice at 105 and accrued interest if effected on or before February 1, 1933, with successive reductions of 1% of principal amount for each year or fraction thereof elapsed after February 1, 1933. Interest payable without deduction for the Normal Federal Income Tax up to 2%. The Corporation agrees to refund upon timely and appropriate application, all personal property taxes and securities of any State or of the District of Columbia not exceeding in any year 6 mills of the principal amount, and all income taxes of any such State or such District not exceeding in any year 6% of the income derived from the bonds. Chatham Phenix National Bank and Trust Company, New York, Corporate Trustee.

## STOCK PURCHASE PRIVILEGE

Each holder of a \$1,000 First Mortgage Bond, Series A, will be entitled to purchase a unit of ten shares of common stock of the Corporation, without par value, at \$5 per share on or before February 1, 1931; thereafter to and including February 1, 1933, at \$7.50 per share; thereafter to and including February 1, 1935, at \$10 per share; thereafter to and including February 1, 1936, at \$12.50 per share; and thereafter to and including February 1, 1938 at \$15 per share. Holders of \$500 and \$100 bonds will be entitled to purchase proportionate units of the Corporation's common stock on the same basis.

Mr. C. L. Harrison, President, summarizes from his letter to us as follows:

**BUSINESS:** Inland Gas Corporation, organized under the laws of the State of Delaware on March 31, 1927, is engaged in the production, transportation and distribution of natural gas in Eastern Kentucky. Consumption of natural gas by companies which have already contracted for natural gas or fuel requirements from the Inland Gas Corporation is estimated by F. P. Fisher, engineer, at 17,600,000 cubic feet per day. In addition to the contracted requirements there are negotiations pending with other companies whose probable requirements will be not less than 7,000,000 cubic feet per day. In addition to the gas for which contracts have already been consummated and for the sale of which negotiations are now pending, there is an available market for about 27,000,000 cubic feet per day in the territory to be served.

**SECURITY:** These Bonds, in the opinion of counsel, will be secured, upon redemption of outstanding First Mortgage Seven Per Cent. Sinking Fund Gold Bonds, by a first mortgage on all fixed properties now owned or hereafter acquired by Inland Gas Corporation, subject as to after-acquired property, to existing liens thereon or to purchase money liens created in connection with such acquisition. Pipe line rights of way and natural gas rights may be subject to customary farm mortgages. The value of the properties to be placed under the mortgage securing these Bonds has been estimated by engineers to be approximately twice the principal amount of such Bonds.

**PROPERTIES:** The properties include over 82,000 acres of gas leaseholds with 56 producing wells, together with 25 miles of main pipe lines and gathering lines now in operation, and will include about 120 miles additional of main pipe lines and gathering lines, the construction of which has already been contracted for. Of the latter approximately 70 miles of 16-inch line will run from a point near Prestonsburg to Ashland, Kentucky, on the Ohio River, with about 50 miles of gathering and branch lines. Branch lines will

run to the Olive Hill District and Hitchins, Kentucky. In addition the Corporation has gas purchase contracts which together with its own reserves are estimated to be sufficient to meet the requirements of the Corporation beyond the life of these Bonds. The Corporation will set aside appropriations sufficient to extend its lines to probable customers who are now negotiating for service.

**SINKING FUND:** The mortgage will provide for a fixed sinking fund to begin November 1, 1929, which will retire approximately 65% of this issue prior to maturity. In addition to this fixed sinking fund, 10% of the net earnings, as defined in the Mortgage, commencing with the calendar year 1929, will be paid annually to the Trustee for similar retirement of additional Series A Bonds. It is estimated that the fixed and additional sinking funds will retire approximately 71% of these Bonds by maturity. The Mortgage will also provide that the cash received by the Corporation through the exercise of the stock purchase privilege will be used to retire additional Series A Bonds.

**EARNINGS:** Annual net earnings for the first 5 years of full operation available for interest charges, as estimated by F. P. Fisher, engineer, are more than 3½ times maximum interest requirements on these First Mortgage Bonds. Of these earnings \$794,500 or over 2.77 times such interest requirements are based on estimated earnings from sales to customers already under contract.

**PURPOSE OF ISSUE:** The proceeds from the sale of these Bonds and the Debentures will be used for the retirement of outstanding funded debt and preferred stock, for the construction of its pipe line system and for other corporate purposes.

**MANAGEMENT:** The management of the Inland Gas Corporation will be under the direct supervision of the Hope Engineering & Supply Company, Mount Vernon, Ohio.

Engineers' reports and estimates were made by Messrs. Brokaw, Dixon, Garner and McKee, New York; Raymond S. Blachley, San Francisco, Cal.; Herbert R. Davis, Buffalo, N. Y.; and F. P. Fisher, Mt. Vernon, Ohio. Audits by Main & Company, Appraisals by Messrs. Herbert R. Davis and F. P. Fisher. We offer these Bonds when, as and if issued and accepted by us subject to the approval of all legal proceedings by our counsel. Legal proceedings in connection with this issue will be passed upon by Messrs. Cadwalader, Wickersham & Taft, New York, for the Bankers and by Cornelius D. Scully, Esq., Pittsburgh, and Robert L. Black, Esq., Cincinnati, for the Corporation. Deliveries may be made in the form of Trustees' interim receipts of Chatham Phenix National Bank and Trust Company or temporary Bonds.

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(Continued from page 777)

been unnecessary. The foregoing amount is equivalent to \$3.90 per share annually for the period on the common stock. In addition, cash dividends paid during the period aggregated \$4,780,715, or an annual average of \$3.10 per share. On adding these three elements together, an annual average of \$15.90 per share is obtained which would seem to approximately more closely, the true earning power, as against reported earnings averaging \$7.90 per share annually since 1922.

Aside from disclosing the true earning power, the balance sheet also reflects a strong financial position. Cash and securities increased from \$1,714,681 to \$5,684,934. Net current assets more than tripled, rising from \$2,096,906 to \$6,566,121. While the nature of the business does not require excessive amounts of liquid capital, it would seem reasonable to infer that the company is committed to a policy of building its own equipment without resorting to outside financing. This is accomplished by maintaining its present strong current asset position, especially its holdings of cash and marketable securities. Moreover, capitalization is comparatively small, a factor that should result in a very rapid growth of equities and earning power back of its shares. Ultimately, this should be a matter of considerable importance marketwise.

The inherent soundness of the company and the essential character of the industry seem unquestioned. Its expansion program in the past few years has been effected solely out of earnings. In addition, \$9,012,000 7% equipment obligations were retired between 1922 and 1925. The replacement of the 7% preferred stock with the 4½% notes results in an annual saving of \$255,000; in addition, Federal taxes were reduced \$78,975 as a result of this capital rearrangement. Undoubtedly, the time is not far distant when the results of this policy, together with a steadily increasing volume of business that the company should be called upon to handle, may find reflection in still greater earning power. Under the circumstances, therefore, the shareholders may look forward to more liberal treatment. Currently quoted at around \$120 per share, and paying \$5.00 per share in dividends annually, the return is but 4.1%. The low yield, nevertheless, does not offer any indication that the company's future possibilities have as yet been too liberally capitalized marketwise.

For Feature Articles to Appear in  
the Next Issue

See Page 792

# 117 Points Net Profit

On Trades Made and Closed Out  
July 1, 1927 to February 15, 1928

**B**ELOW is a complete summary of these trading transactions—not a single commitment has been omitted:

	Date Advised	Date Closed	Stock	Points Profit	Points Loss
July	5	Aug. 8	Bayuk Cigar	14 7/8	
"	5	" 10	Nat'l Dairy Products	3 3/4	
"	5	" 10	Int. Tel. & Tel. (half)	av. 1 1/2	
"	12	Sept. 14	Marlin Rockwell (half)	av.	3/2
"	19	" 14	Abitibi Power	8 3/4	
"	29	" 12	Studebaker (half)	av. 5 1/2	
Aug.	3	Nov. 3	American Metal		4 1/4
"	10	Sept. 22	U. S. Leather A	2 3/4	
"	16	" 26	B. F. Goodrich	18	
"	22	Nov. 10	Arnold Constable	5 1/2	
"	27	Sept. 22	Eaton Axle		1 1/2
Sept.	7	Nov. 9	Endicott Johnson	—	—
"	20	Jan. 23	Studebaker	6	
"	26	Oct. 27	Nat'l Power & Light		2 3/4
"	27	" 31	Paramount	2 1/8	
"	28	Dec. 14	New Haven	6 1/4	
Oct.	14	" 30	B. F. Goodrich	15 3/4	
"	21	Nov. 1	Ind. Oil & Gas	2 3/4	
"	24	" 10	American Smelting	4 9/8	
"	24	" 26	Baltimore & Ohio	3 1/2	
"	24	" 2	General Asphalt	4 1/8	
"	24	Oct. 31	Hudson Motors		3/2
"	24	Nov. 15	U. S. Steel	5	
Nov.	15	Jan. 9	Oppenheim Collins	6 5/8	
"	29	Jan. 4	Goodyear	11 3/4	
				126 1/8	9 1/2

## Only One Department of the Forecast

This record is confined entirely to the Trading Advices which represent only one department of the Forecast. Observe how, in accordance with our rigid policy, profits were allowed to ride and losses cut short. Note the short time many of these stocks were carried. All trading commitments are made on the basis of current market conditions, not for long pull appreciation. Other departments contain the advices founded on fundamentals where securities are recommended for holding without regard to intermediate fluctuations.

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## RAILS

	Pre-War Period		War Period		Post-War Period		1928		Last Sale 2/15/28	Div'd \$ Per Share
	High	Low	High	Low	High	Low	High	Low		
Atchafalaya	125 3/4	90 1/4	111 1/4	70	200	91 3/4	195 3/4	183 1/4	185 1/4	7
Do Pfd.	106 3/4	96	102 1/4	75	106 3/4	72	105 1/4	102 1/4	103 3/4	5
Atlantic Coast Line	148 1/4	102 1/4	126	79 1/4	268	77	186 1/4	175 1/4	178	47
Baltimore & Ohio	122 1/4	90 3/4	96	88 1/4	125	27 3/4	119	109	110 3/4	4
Do Pfd.	96	77 1/4	80	48 1/4	83	38 1/4	84	80	80	4
B'klyn-Man. Transit	..	..	..	..	77 1/4	9 1/4	62	53 3/4	157 1/4	4
Do Pfd.	..	..	..	..	89 3/4	31 3/4	83 3/4	82	87 3/4	6
Canadian Pacific	283	165	220 1/4	126	218 1/4	101	215 1/4	198	202 1/4	10
Chesapeake & Ohio	165 1/4	96 3/4	107 3/4	85	52 3/4	3 1/4	205 1/4	188 1/4	192	10
C. M. & St. Paul	181	130 1/4	143	62 1/4	76	7	207 1/4	15 1/4	16 1/4	10
Do Pfd.	198 1/4	123	136 3/4	35	105	45 1/4	88 1/4	79 3/4	80 1/4	4
Chi. & Northwestern	..	..	..	..	116	19 1/4	112 1/4	107	108 1/4	5
Chicago, R. I. & Pacific	..	..	..	..	44	111 3/4	110	106 1/4	107	7
Do 7% Pfd.	..	..	..	..	104	54	102 1/4	101 3/4	102	6
Do 6% Pfd.	..	..	..	..	83	186	163 1/4	165	9	9
Delaware & Hudson	200	147 1/4	159 1/4	87	230	83	140	130 1/4	130 1/4	6
Delaware, Lack. & W.	340	192 1/4	242	160	260 1/4	93	140	130 1/4	130 1/4	6
Erie	61 1/4	33 1/4	50 1/4	18 3/4	69 3/4	7	60 3/4	49 3/4	51 1/4	..
Do 1st Pfd.	49 3/4	26 1/4	54 3/4	15 3/4	66 1/4	1 1/4	63 1/4	54 1/4	56 1/4	..
Do 2nd Pfd.	89 3/4	19 3/4	45 3/4	18 3/4	64 1/4	7 1/4	62	55	150	..
Great Northern Pfd.	157 1/4	115 1/4	134 3/4	79 3/4	103 3/4	50 3/4	98	93 1/4	94 3/4	5
Hudson & Manhattan	..	..	..	..	57 1/4	20 3/4	57 1/4	51	52 1/4	2 1/2
Illinois Central	162 1/4	102 3/4	115	85 3/4	139 3/4	80 1/4	144 3/4	131 3/4	135 1/4	7
Interboro Rap. Trans't	..	..	..	..	53 3/4	9 1/4	38 1/4	29	35 1/4	..
Kansas City Southern	50 1/4	21 3/4	35 1/4	13 1/4	70 1/4	13 3/4	63 3/4	49 1/4	55 1/4	..
Do Pfd.	75 1/4	56	65 1/4	40	73 1/4	40	73 1/4	70	71 1/4	4
Lehigh Valley	121 1/4	62 1/4	87 1/4	50 3/4	137 1/4	39 1/4	97 3/4	84 3/4	86 3/4	3 1/2
Louisville & Nashville	170	121	141 1/4	103	159 1/4	84 3/4	155	146	148	7
Mo., Kansas & Texas	*51 1/4	*17 1/4	*24	*8 3/4	56 1/4	*3	41 1/4	33 1/4	35 1/4	..
Do Pfd.	*78 1/4	*46	*60	*6 1/4	109 1/4	*2	109	106 1/4	107 1/4	7
Missouri Pacific	*77 1/4	*21 1/4	38 1/4	19 1/4	62	8 1/4	53	41	45 1/4	..
Do Pfd.	147 3/4	90 3/4	114 1/4	62 1/4	171 1/4	64 1/4	161 1/4	156 1/4	156 1/4	8
N. Y. Central	109 3/4	90	90 3/4	55	204 1/4	23 3/4	137 1/4	128	130 3/4	6
N. Y., Chi. & St. Louis	174 3/4	65 3/4	89	21 1/4	63 3/4	9 3/4	87 3/4	59 3/4	62	1
N. Y., N. H. & Hartford	..	..	..	..	41 1/4	14 1/4	32 3/4	24 3/4	26 1/4	..
N. Y., Ontario & W.	119 1/4	84 1/4	147 1/4	92 1/4	202	84 1/4	192	179 1/4	182 1/4	8
Norfolk & Western	150 1/4	101 1/4	118 3/4	75	102 1/4	47 1/4	98 3/4	92 3/4	94 3/4	5
Northern Pacific	75 3/4	53	61 1/4	40 1/4	68	32 1/4	65 1/4	63	63 3/4	5 1/2
Pennsylvania	*36 1/4	*15	38 1/4	9 1/4	140 1/4	12 1/4	129 1/4	124 1/4	128	6
Pere Marquette	..	..	..	..	17 1/4	21 1/4	147 1/4	125 1/4	125 1/4	6
Pittsburgh & W. Va.	89 3/4	58	115 1/4	60 3/4	123 3/4	5 1/4	108 3/4	94 1/4	96 1/4	4
Reading	46 3/4	41 1/4	44 1/4	34 1/4	61	8 1/4	43 1/4	42 1/4	43	2
Do 1st Pfd.	58 3/4	42	52	33 3/4	*65	32 1/4	45 1/4	44	44 1/4	2
Do 2nd Pfd.	*74	*13	50 1/4	21	117 1/4	10 3/4	115 1/4	109	111	47
St. Louis-San Fran.	40 3/4	18 1/4	32 1/4	11	93	10 3/4	79 3/4	67 3/4	70	..
St. Louis Southwestern	27 1/4	13 1/4	22 3/4	7	54 1/4	2 1/4	30 1/4	20 1/4	20 1/4	..
Seaboard Air Line	56 1/4	23 1/4	58	15 1/4	51 1/4	3	38	28 1/4	29 1/4	..
Southern Pacific	139 1/4	83	110	75 3/4	126 3/4	67 1/4	124	117 3/4	120 1/4	6
Southern Railway	34	18	36 3/4	12 1/4	149	24 3/4	147	139 1/4	143 3/4	8
Do Pfd.	88 3/4	43	85 1/4	42	101 1/4	42	102 1/4	99 3/4	99 3/4	5
Texas & Pacific	40 1/4	10 3/4	29 1/4	6 1/4	103 3/4	14	119 3/4	90 3/4	118	..
Union Pacific	219	137 1/4	164 3/4	101 1/4	197 3/4	110 1/4	194	186 1/4	192 1/4	10
Do Pfd.	118 1/4	79 3/4	86	69	85 1/4	6 1/4	87 1/4	84 3/4	85 1/4	4
Wabash	*27 1/4	*2	17 1/4	7	81	6	68 3/4	53 3/4	55	..
Do Pfd. A.	*61 3/4	*6 1/4	60 1/4	30 3/4	101	17	95	88 1/4	90	5
Do Pfd. B.	..	..	32 3/4	18	98	12 1/4	92 1/4	85	85	5
Western Maryland	*56	*40	23	9 1/4	67 3/4	8	50 1/4	31 3/4	36 1/4	..
Do 2nd Pfd.	*88 1/4	*53 1/4	*58	20	67 1/4	11	50	33 3/4	38 3/4	..
Western Pacific	..	..	25 1/4	11	47 1/4	12	37 1/4	28 1/4	32 3/4	..
Do Pfd.	..	..	64	35	86 1/4	51 1/4	62 1/4	57 1/4	57 1/4	..
Wheeling & Lake Erie	*12 3/4	*2 3/4	27 3/4	8	130	6	70	70	70	..
Do Pfd.	..	..	50 3/4	16 3/4	97	9 1/4	77	75	75	..

## INDUSTRIALS

	Pre-War Period		War Period		Post-War Period		1928		Last Sale 2/15/28	Div'd \$ Per Share
	High	Low	High	Low	High	Low	High	Low		
Adams Express	270	90	154 1/4	42	210	22	311 1/4	195	298	6
Ajax Rubber	..	..	89 1/4	45 1/4	113	4 1/4	14 1/4	10	10 3/4	..
Allied Chem. & Dye	..	..	..	..	169 1/4	34	158 1/4	151 1/4	152 1/4	6
Do Pfd.	..	..	..	..	124	83	124	122 1/4	124 1/4	7
Allis-Chalmers Mfg.	10	7 3/4	49 3/4	6	118 3/4	26 1/4	125	115 1/4	120	6
Am. Agric. Chem.	63 3/4	33 1/4	106	47 1/4	113 3/4	7 1/4	21 1/4	18	18 3/4	..
Do Pfd.	105	90	103 1/4	83 1/4	103	15	71 3/4	62	63 3/4	..
Am. Beet Sugar	77	19 3/4	108 1/4	19	103 3/4	15 1/4	17 1/4	14 1/4	15 1/4	..
Am. Bosch Magneto	..	..	..	..	143 1/4	13	22 1/4	17	17 1/4	..
Am. Can.	47 3/4	6 3/4	63 1/4	19 1/4	*344 1/4	*21 3/4	82 3/4	70 1/4	79 1/4	2
Do Pfd.	129 1/4	98	114 1/4	80	141 3/4	72	140	136 3/4	139 1/4	7
Am. Car & Foundry	76 1/4	36 1/4	98	40	*201	97 1/4	111 1/4	105	107	6
Do Pfd.	124 3/4	107 1/4	119 1/4	100	134 3/4	105 3/4	133 1/4	131	133 3/4	7
Am. Express	300	94 3/4	140 1/4	77 1/4	183	76 1/4	192 3/4	169	190 1/4	6
Am. Hide & Leather	10	3	22 1/4	2 1/4	43 1/4	5	15 1/4	10 3/4	12 1/4	..
Do Pfd.	51 1/4	15 1/4	94 1/4	10	142 3/4	29 3/4	67 3/4	55	57	..
Am. Ice	..	..	62 3/4	13	132 1/4	17	34 3/4	71	79 1/4	2
Am. International	..	..	92	24	113	4 1/4	96 3/4	86 1/4	92	..
Am. Linsend Pfd.	47 3/4	20	92	24	113	4 1/4	96 3/4	86 1/4	92	..
Am. Locomotive	74 3/4	19	98 1/4	46 3/4	144 3/4	58	115	108	109 3/4	8
Do Pfd.	122	75	109	93	127	96 1/4	128	125 1/4	127 3/4	7
Am. Metal	..	..	..	..	67 3/4	36 1/4	46 1/4	42	43 1/4	3
Am. Radiator	*500	*200	*445	*235	*345	64	138 3/4	130 1/4	131 1/4	5
Am. Safety Razor	..	..	..	..	76 3/4	*31 1/4	58 1/4	56	57	4
Am. Ship & Commerce	..	..	..	..	47 1/4	2 1/4	4 1/4	3 3/4	4 1/4	..
Am. Smelt. & Ref.	105 1/4	56 3/4	123 3/4	50 1/4	188 3/4	29 1/4	184 1/4	172 1/4	173 3/4	8
Do Pfd.	74 3/4	24 3/4	95	44	133	18	135	131 3/4	132 3/4	7

# Price Range of Active Stocks

## INDUSTRIALS—Continued

	Pre-War Period		War Period		Post-War Period		1928		Last Sale 2/15/28	Div'd \$ Per Share
	1909-1913		1914-1918		1919-1927					
	High	Low	High	Low	High	Low	High	Low		
Am. Steel Foundries.....	116¾	98½	118%	97	122¾	41½	70%	60½	60½	3
Do. Pfd.....					115	78	115	112¾	116	7
Am. Sugar Refining.....	136¾	99%	126½	89½	143%	36	78½	56	57%	..
Do. Pfd.....	133½	110	123½	106	119	67½	110½	102½	102½	7
Am. Tel. & Tel.....	153%	101	134½	90%	185½	92½	181	177%	178½	9
Am. Tobacco.....	*530	*200	*256	*123	*314½	82½	176	163	163	8
Do. Com. B.....					*210	81½	177	163	163	8
Am. Water Works & Elec.....					*144	*4	61	54½	57½	1
Am. Woolen.....	40%	15	60%	12	169½	16½	24%	20½	24	..
Do. Pfd.....	107½	74	102	72½	111½	46½	62½	49½	60½	3
Anaconda Copper.....	54%	27½	105%	24½	77%	28½	58%	53%	57½	3
Associated Dry Goods.....			28	10	140½	39½	48%	43½	43%	2
Do. 1st Pfd.....			75	50½	112	49	112½	111	110%	6
Do. 2nd Pfd.....			49½	35	114	38	119½	115½	112	7
Atl. Gulf & W. Indies.....	13	5	147¾	4½	192%	9½	45%	39	40	..
Do. Pfd.....	32	10	74¾	9%	76½	6¾	109%	95%	99%	4
Atlantic Refining.....					*157½	78½	106%	95%	99%	4
Austin Nichols.....					40%	4½	6½	4	4½	..
Do. Pfd.....					95	23½	39	26	28	..
Baldwin Locomotive.....	60¾	36½	154½	26%	265¾	62½	258	242	249¾	7
Do. Pfd.....	107½	100½	114	90	125½	92	121	119¾	120	7
Bethlehem Steel.....	*51¾	*18½	155½	59%	112	37	62½	55½	60	..
Do. 7% Pfd.....	86	47	186	68	108	78	121	120	120%	7
Brooklyn Edison Electric.....	134	123	131	87	225	82	235½	206¾	233%	8
Brooklyn Union Gas.....	164½	118	138¾	78	157½	41	156½	147½	154	5
Burns Brothers.....	45	41	161½	50	147	76	99%	94	193½	8
Do. B.....					53	16½	17	16%	16%	..
Butte & Superior.....			105½	12½	37%	6½	12%	9	10½	2
California Packing.....			50	30	*179½	48½	79½	73	73%	4
California Petroleum.....	72½	16	42%	8	*71%	15%	26%	24	24%	1
Cerro de Pasco Copper.....			55	25	73½	23	60%	63	65	4
Chile Copper.....			39½	11½	44%	7	42%	40	40½	2½
Chrysler Corp.....					*253	38½	63	54%	56¾	3
Do. Pfd.....					116	100½	115½	113%	114%	8
Coca Cola.....					177%	18	137%	127%	134½	5
Colorado Fuel & Iron.....	53	22½	66½	20½	96%	20	84½	76	77½	..
Columbia Gas & Elec.....			54½	14½	*114%	30½	97%	89%	93½	5
Congoleum-Nairn.....				*184%	12½	29½	23%	25%	..	..
Consolidated Cigar.....					87½	11%	85	81½	83	7
Consolidated Gas.....	*165½	*114½	*150½	*112½	*145%	56%	139%	119%	134	5
Continental Can.....			*127	*37½	*131%	34%	92½	80½	90½	5
Corn Products Refining.....	26½	7%	50½	7	*160½	21½	71%	64%	67½	2
Do. Pfd.....	98½	61	113½	58½	142½	96	140%	138½	139	7
Crucible Steel.....	19%	6½	109%	12½	*278½	48	89	84½	87%	6
Cuba Cane Sugar.....			76%	24%	59%	13%	32%	25	25	..
Do. Pfd.....			100½	77½	87	13%	32%	25	25	..
Cuban-American Sugar.....	*58	33	*273	*38	*605	107%	23%	20	20	1
Cuyamel Fruit.....					74½	30	55%	51	53%	..
Davison Chemical.....					81½	20%	46%	38½	40	..
Dupont de Nemours.....					*360	105	335	310	324	10
Eastman Kodak.....	*No Sales		*605	*690	*690	70	171½	163½	166½	5
Electric Storage Battery.....	*65½	*42	*78	*42½	*153	37	75%	69%	70	5
Endicott-Johnson.....					150	44	82%	75%	79%	5
Do. Pfd.....					125	84	124%	121½	123½	7
Fisk Rubber.....					55	5½	17%	15%	15%	..
Do. 1st Pfd.....					116½	38½	91½	89½	89½	7
Fleischmann Co.....					*171½	46%	74½	68½	70½	3
Foundation Co.....					183%	35%	51%	43	45½	..
Freeport-Texas.....			70½	25%	106½	7½	109½	78%	80½	4
General Asphalt.....	42%	15½	39%	14½	160	28	93½	75%	75½	..
General Cigar.....	188½	129%	187½	118	*386½	81	138½	127%	129½	14
General Electric.....	*51%	*25	*850	*74½	*282	8%	136½	130	137½	5
Do. 7% Pfd.....					125%	125%	126%	128½	125	7
Goodrich (B. F.) Co.....	86½	15½	80½	19%	96½	17	99%	86½	86%	4
Do. Pfd.....	109%	73½	116%	79%	111½	62½	112½	110	110	7
Goodyear T. & R. Pfd.....					72½	5	72½	63½	64	..
Do. Pfd.....					99%	92½	99%	97%	99½	7
Granby Consolidated.....	78½	26	120	58	80	12	43½	39½	40%	1½
Great Northern Ore Cfts.....	88½	25½	50%	22½	52%	18	25	22½	23	..
Gulf States Steel.....			137	58%	104%	25	57%	51	55	..
Houston Oil.....	25½	8	86	10	175%	40½	156%	130½	136½	..
Hudson Motor Car.....					139½	19½	89	75	83	5
Hupp Motor Car.....			11	2½	36½	4%	41%	29	39	1.40
Inland Steel.....					62%	31%	63	50	50½	2½
Inspiration Copper.....	21%	13%	74%	14½	68%	20%	21%	18½	19%	..
Inter. Business Mach.....			52%	24	*176½	28%	147%	114	138½	5
Inter. Combustion Eng.....					69½	19%	55%	49	50%	2
Inter. Harvester.....			121	104	255%	66%	247%	228%	234½	16
Inter. Merc. Marine.....	9	2½	60%	5%	67%	3½	5%	4½	4½	..
Do. Pfd.....	27%	12½	125%	8	128½	18½	44%	36½	36½	..
Inter. Nickel.....	*227½	*135	57½	24½	89½	24½	99%	81½	92½	2
Inter. Paper.....	19%	6½	75½	9½	91%	27%	78½	67½	74	2.40
Kelly-Springfield Tire.....			85	36%	164	9	27%	19½	20	..
Do. 8% Pfd.....			101	72	110	38	84	74%	77½	..
Kennecott Copper.....			64½	25	90%	14%	87%	80%	83½	5
Kinney (G. R.) Co.....					103	19%	52	38½	44½	..
Lima Locomotive.....					76%	49	65½	58	57	4
Loew's Inc.....					63%	10	63%	57	61%	2
Loft, Inc.....					28	5	7	5%	6%	..
Morillard (P.) Co.....	*215½	*150	*239%	*144½	*245	23½	40½	36½	37½	..
Mack Trucks.....					242	25½	107%	98½	100%	6
Magma Copper.....					58%	26%	56½	49	49%	3
Mallinson & Co.....					45	8	22½	16	21	..
Maracaibo Oil Explor.....					37½	12	18%	13	13½	..
Marland Oil.....					63%	12%	38%	33½	33%	..
May Department Stores.....	*88	*65	*97½	*35	*174%	*60	85%	79%	79%	4
Mexican Seaboard Oil.....					34½	3	6%	4%	6½	..
Miami Copper.....	30½	12%	49%	16%	32%	8	19%	17%	18%	1½
Montgomery Ward.....					123½	12	149½	117	145½	4
National Biscuit.....	*161	*96½	*139	*79%	*270	85%	182	162½	171½	6
National Dairy Prod.....					81%	30%	72½	64½	68	3

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## In the Market Letter this Week

### Observations on

### Certain-teed Products Corporation

### St. Joseph Lead Company

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ASK FOR 218-4

Accounts carried on  
conservative margin.

## McClave & Co.

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## THE GRANGER FINANCIAL REVIEW

in its current issue reviews

## General Motors

## U. S. Steel

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# New York Stock Exchange Price Range of Active Stocks

## INDUSTRIALS—Continued

	Pre-War Period		War Period		Post-War Period		1928		Last Sale 2/15/28	Div'd \$ Per Share
	1909-1913		1914-1918		1919-1927					
	High	Low	High	Low	High	Low	High	Low		
National Enam. & Stamp.....	80 1/4	9	64 1/4	9	89 1/4	18 1/4	30 1/4	25 1/4	125 1/4	
National Lead .....	91	42 1/4	74 1/4	44	*202 1/4	63 1/4	136	126	132 1/4	
N. Y. Air Brake .....	98	45	136	55 1/4	*145 1/4	26 1/4	50 1/4	43 1/4	47 1/4	
N. Y. Dock .....	40 1/4	8	27	9 1/4	70 1/4	15 1/4	64 1/4	57	157 1/4	
North American .....	*87 1/4	*60	*81	*38 1/4	*119 1/4	17 1/4	64 1/4	58 1/4	61 1/4	\$10 1/4
Do. Pfd. ....					55	31 1/4	54 1/4	53 1/4	154	
Packard Motor Car. ....					62	9 1/4	63 1/4	56 1/4	58 1/4	
Pan.-Am. Pkt. & Trans. ....			70 1/4	35	140 1/4	38 1/4	46 1/4	39 1/4	39 1/4	
Do. Class B. ....					111 1/4	34 1/4	46 1/4	39 1/4	39 1/4	
Paramount-Farm. Players-Lasky					127 1/4	40	117 1/4	111 1/4	115 1/4	
Do. Pfd. ....					124 1/4	66	124	121 1/4	115	
Philadelphia Co. ....	59	37	48 1/4	21 1/4	153 1/4	26 1/4	160	149 1/4	1150	1/4
Phila. & Reading C. & I. ....					54 1/4	34 1/4	39 1/4	28 1/4	33 1/4	
Phillips Petroleum .....					69 1/4	16	43 1/4	35 1/4	36 1/4	3
Pierce-Arrow .....			65	25	99	6 1/4	15 1/4	11 1/4	12 1/4	
Do. Pfd. ....			109	88	127 1/4	13 1/4	53 1/4	41	41 1/4	
Pittsburgh Coal. ....	*89 1/4	*10	58 1/4	37 1/4	74 1/4	29	53 1/4	41 1/4	50	
Postum Co. ....					*134	*47	129 1/4	123	123 1/4	5
Pressed Steel Car. ....	56	18 1/4	88	17 1/4	113 1/4	34 1/4	26 1/4	22 1/4	123 1/4	
Do. Pfd. ....	112	88 1/4	109 1/4	69	106	67	88	85	85	7
Pub. Serv. N. J. ....					*58 1/4	*29	45	41 1/4	43	2
Pullman Company .....	260	149	177	106 1/4	199 1/4	*87 1/4	86 1/4	81 1/4	82 1/4	4
Punta Alegre Sugar .....			51	29	120	24 1/4	34 1/4	29 1/4	29 1/4	
Pure Oil .....			143 1/4	81 1/4	61 1/4	16 1/4	27 1/4	19	20 1/4	
Radio Corp. of America. ....					101	25 1/4	104 1/4	88 1/4	90 1/4	
Republic Iron & Steel .....	49 1/4	15 1/4	96	18	145	40 1/4	69 1/4	59	62 1/4	4
Do. Pfd. ....	111 1/4	64 1/4	112 1/4	72	106 1/4	74	112	105	110 1/4	7
Royal Dutch N. Y. ....			86	56	123 1/4	40 1/4	48 1/4	44 1/4	145 1/4	3.13 1/4
Savage Arms .....			119 1/4	39 1/4	108 1/4	8 1/4	75	60 1/4	69	4
Schulte Retail Stores .....					*134 1/4	47	53 1/4	50 1/4	51 1/4	3 1/4
Stars, Roebuck & Co. ....	*124 1/4	*101	*233	*120	*243	51	92 1/4	82 1/4	89 1/4	2 1/4
Shell Trans. & Trading. ....					90 1/4	29 1/4	42 1/4	40 1/4	41 1/4	.97
Shell Union Oil .....					31 1/4	12 1/4	26 1/4	23 1/4	24 1/4	1.40
Simmons Company .....					64 1/4	22	66 1/4	60 1/4	61 1/4	2
Simms Petroleum .....					28 1/4	6 1/4	24 1/4	18 1/4	18 1/4	
Sinclair Consol. Oil .....			67 1/4	25 1/4	64 1/4	15	21 1/4	18	18	
Skelly Oil .....					37 1/4	8 1/4	28 1/4	25	25 1/4	2
Sloss-Sh. Steel & Iron. ....	94 1/4	23	93 1/4	19 1/4	148 1/4	32 1/4	128	121	125 1/4	6
Standard Oil of Calif. ....					*135	47 1/4	56 1/4	53 1/4	53 1/4	2 1/4
Standard Oil of N. J. ....	*488	*322	*800	*355	*212	30 1/4	40 1/4	38 1/4	38 1/4	1
Stewart-Warner Speed .....			*100 1/4	*43	*181	21	85 1/4	80 1/4	81 1/4	6
Stromberg Carburetor .....			45 1/4	21	118 1/4	22 1/4	56 1/4	44	49 1/4	2
Studebaker Company .....	49 1/4	15 1/4	195	20	*151	30 1/4	67 1/4	57	63 1/4	5
Do. Pfd. ....	98 1/4	64 1/4	119 1/4	70	125	76	126 1/4	122 1/4	124	7
Tennessee Cop. & Chem. ....			21	11	17 1/4	6 1/4	11 1/4	10 1/4	10 1/4	
Texas Company .....	144	74 1/4	243	112	58	29	55 1/4	50 1/4	50 1/4	3
Texas Gulf Sulphur. ....					*184	32 1/4	80 1/4	69 1/4	71 1/4	4
Tex. & Pac. Coal & Oil. ....					*275	12	17	12 1/4	12 1/4	.60
Tide Water Oil .....			225	165	*195	5 1/4	17 1/4	15 1/4	15 1/4	
Timken Roller Bearing .....					142 1/4	28 1/4	134	120	121 1/4	1/4
Tobacco Products .....	145	100	82 1/4	25	117 1/4	45	114 1/4	102 1/4	113 1/4	
Do. Class A. ....					123 1/4	76	128	113	126	7
Transcontinental Oil .....					62 1/4	1 1/4	10 1/4	7 1/4	7 1/4	
Union Oil of Calif. ....					58 1/4	33	45 1/4	42 1/4	43	1/2
United Cigar Stores .....			*127 1/4	*8 1/4	*255	42 1/4	34 1/4	30 1/4	33 1/4	1.80
United Drug .....			90 1/4	64	200 1/4	46 1/4	204 1/4	190	197	9
Do. 1st Pfd. ....			54	46	61	36 1/4	60 1/4	59 1/4	59 1/4	3 1/4
United Fruit .....	208 1/4	126 1/4	175	105	*294	95 1/4	142 1/4	136	138	1/4
U. S. Cast I. Pipe & F. ....	82	9 1/4	31 1/4	7 1/4	250	10 1/4	222 1/4	205	206	10
Do. Pfd. ....	84	40	67 1/4	30	125	38	120 1/4	116 1/4	118	7
U. S. Indus. Alcohol. ....	57 1/4	24	171 1/4	15	167	35 1/4	117 1/4	102 1/4	113	5
U. S. Realty & Imp. ....	87	49 1/4	63 1/4	8	*184 1/4	17	68 1/4	61 1/4	65	4
U. S. Rubber .....	59 1/4	27	80 1/4	44	143 1/4	22 1/4	63 1/4	50 1/4	52	
Do. 1st Pfd. ....	123 1/4	98	115 1/4	91	119 1/4	66 1/4	109 1/4	100 1/4	102	8
U. S. Smelt., Ref. & M'n. ....	59	30 1/4	81 1/4	20	78 1/4	18 1/4	45 1/4	40 1/4	41	3 1/2
U. S. Steel .....	94 1/4	41 1/4	136 1/4	38	160 1/4	70 1/4	152 1/4	142 1/4	144	7
Do. Pfd. ....	131	102 1/4	123	102	141 1/4	104	142	138 1/4	139 1/4	7
Utah Copper .....	67 1/4	38	130	48 1/4	162	41 1/4	158	139	140	6
Vanadium Corp. ....					97	19 1/4	94 1/4	60	82 1/4	3
Western Union .....	90 1/4	56	105 1/4	53 1/4	176	76	177 1/4	169	169	8
Westinghouse Air Brake .....	141	132 1/4	143	95	*198	40	57 1/4	46 1/4	52 1/4	2
Westinghouse E. & M. ....	45	24 1/4	74 1/4	32	94 1/4	38 1/4	100 1/4	88 1/4	96	4
White Eagle Oil .....					34	20	24 1/4	20 1/4	21 1/4	1
White Motors .....			60	30	104 1/4	29 1/4	41 1/4	31	31	1
Wills-Overland .....	*75	*50	*325	15	40 1/4	4 1/4	20 1/4	17 1/4	18 1/4	
Do. Pfd. ....			100	69	123 1/4	23	95 1/4	92 1/4	95 1/4	7
Wilson & Co. ....			84 1/4	42	104 1/4	4 1/4	16	11 1/4	15 1/4	
Woolworth (F. W.) Co. ....	*177 1/4	*76 1/4	*151	*81 1/4	*345	72 1/4	194	178 1/4	181 1/4	5
Worthington Pump .....			69	23 1/4	117	19	34 1/4	28	29 1/4	
Do. Pfd. A. ....			100	85 1/4	98 1/4	44	55	46 1/4	49	
Do. Pfd. B. ....			78 1/4	50	81	37	49 1/4	41	44 1/4	
Youngstown Sh. & Tube. ....					100 1/4	59 1/4	106 1/4	95	97 1/4	5

† Bid price. ‡ Not including extras. § In stock. \* Old stock.

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## Securities Analyzed, Rated and Mentioned in this Issue

### PETROLEUM

Petroleum Companies, Position of Leading. 771

### BONDS

Bond Buyers Guide..... 765  
Seaboard Air Line..... 764

### RAILROADS

Canadian Pacific..... 778

### INDUSTRIALS

Collins & Aikman..... 802  
Electric Boat..... 790  
Equipment, Position of Leading..... 774  
General American Tank Car..... 802  
Gulf States Steel..... 801  
General Outdoor Advertising..... 820  
Leather and Shoe Companies, Position of  
Leading..... 775  
Lorrillard, P. .... 818  
Miscellaneous Stocks, Position of Leading.. 773  
Motor Stocks, Position of Leading..... 769  
Preferred Stock Guide..... 777  
Steel Stocks, Position of Leading..... 767  
Sugar Stocks, Position of Leading..... 768  
Tire & Accessory Stocks, Position of Leading 770  
Timken Roller Bearing..... 801  
Union Tank Car..... 776  
U. S. Gypsum..... 810  
Union Carbide & Carbon..... 803  
White Motor..... 790  
Yale & Towne..... 790

### MINING

Mining Stocks, Position of Leading..... 772  
U. S. Smelting, Ref. & Mining..... 783

### Important Corporation Meetings

Company	Specification	Date of Meeting
Curtis Publishing	Directors	2-24
Eureka Vacuum Cleaner	Annual	2-24
Montgomery-Ward	Annual	2-24
Cocoa-Cola	Annual	2-27
Phillips Petroleum	Com. Div.	2-27
Pierce-Arrow	Pfd. Div.	2-27
Pittsburgh Terminal Coal	Annual	2-27
Sears, Roebuck	Annual	2-27
By-Products Coke	Annual	2-28
Colorado Fuel & Iron	Directors	2-28
Congoleum-Nairn	Directors	2-28
Coty	Special	2-28
Federal Motor Truck	Directors	2-28
Gillette Safety Razor	Annual	2-28
Gould Coupler	Directors	2-28
Lehigh Coal & Navigation	Annual	2-28
Peoples Gas, Light & Coke	Annual	2-28
Publ. Service N. J.	Pfd. & Com. Divs.	2-28
Twin City, R. T.	Annual	2-28
U. S. Hoffman Mach.	Annual	2-28
Worthington Pump & Mach.	Directors	2-28
American Tobacco	Pfd. Div.	2-29
Baltimore & Ohio	Directors	2-29
International Paper	Pfd. Div.	2-29
Baldwin Locomotive	Annual	3-1
Continental Baking	Pfd. & Com. Divs.	3-1
General Cigar	Annual	3-1
Life Savers	Com. Div.	3-1
Pittsburgh Terminal Coal	Directors	3-1
Reynolds (R. J.) Tobacco	Dividend	3-1
Simmons Co.	Exec. Committee	3-1
Endicott-Johnson	Annual & Div.	3-5
Gotham Silk Hosiery	Annual	3-5
National Dairy Products	Dividend	3-5
American Can	Annual	3-6
American Chicle	Annual	3-6
American Home Products	Annual	3-6
Cushman's Sons	Annual	3-6
Exchange Buffet	Directors	3-6
Fajardo Sugar of Porto Rico	Directors	3-6
Manhattan Electrical Supply	Dividend	3-6
U. S. Tobacco	Annual	3-6
Certain-Teed Products	Dividend	3-7
Cluett, Peabody	Pfd. Div.	3-7
Kroger Grocery & Baking	Annual	3-7
Pere Marquette Ry.	Pfd. & Com. Divs.	3-7
Warner-Quinlan	Pfd. & Com. Divs.	3-7
West Penn Electric	Directors	3-7
Guantanamo Sugar	Directors	3-8
Simmons Co.	Annual & Directors	3-8
V. Vivaudou	Pfd. Div.	3-8
Simms Petroleum	Directors	3-9

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Must have special attention. Stocks or Bonds, Price, Maturity, and Yield must be considered. A statement of your requirements will enable us to make satisfactory offerings. Our Monthly offering letter will also be of assistance to you in selecting investments.

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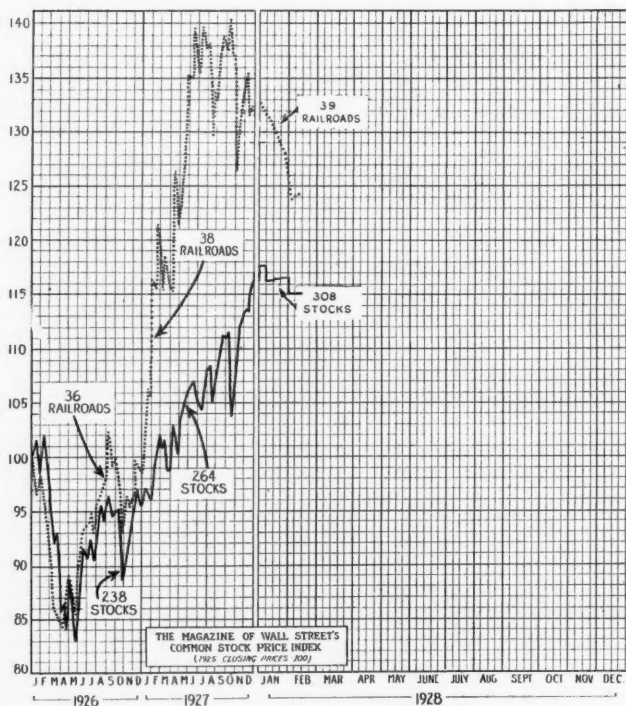
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# THE MAGAZINE OF WALL STREET'S COMMON STOCK PRICE INDEX (1925 Closing Prices = 100)

Number of Issues in Group	Group	1928 Indexes (308 Issues)		Recent Indexes		1927 Indexes (264 Issues)		
		High	Low	Feb. 4	Feb. 11	Close	High	Low
368	COMBINED AVERAGE	117.7	115.0	115.0	115.0	116.3	116.3	95.7
39	Railroads	132.8	123.9	123.9	124.1	132.0	140.2	98.5
2	Agricultural Implements	300.6	284.7	284.7	289.5	800.0	(Begun 1928)	
2	Alcohol	177.6	170.1	170.1	175.1	172.1	175.3	82.1
12	Automobile Accessories	93.6	88.9	88.9	90.7	91.6	96.8	75.6
17	Automobiles	99.8	83.1	84.1	84.0	89.8	89.8	70.1
2	Baking (1926 Cl.—100)	79.1	69.4	71.6	71.6	69.4	100.6	53.0
2	Biscuit	94.5	183.2	189.4	190.7	187.0	(Begun 1928)	
4	Business Machines	171.2	153.7	171.0	163.7	159.1	160.2	108.5
2	Cans	185.5	117.2	123.0	128.5H	119.9	119.9	77.3
4	Chemicals & Dyes	166.2	161.7	161.7	163.8	166.1	168.9	132.0
2	Coal	108.0	90.8	90.8	94.1	108.0	(Begun 1928)	
12	Construction & Bldg. Material	101.1	96.6	99.4	99.3	99.5	101.3	78.9
12	Copper	77.6	166.6	171.0	173.3	177.8	179.5	105.9
2	Dairy Products	74.0	70.1	71.9	74.0	70.4	80.0	59.8
3	Department Stores	83.0	66.6	68.0	67.2	68.0	86.0	64.5
7	Drugs & Toilet Articles	133.5	160.9	162.9	162.9	162.0	171.2	147.3
5	Electric Apparatus	130.2	127.6	128.6	130.2H	129.6	129.6	97.6
3	Fertilizers	27.6	83.3	84.0	84.5	84.0	85.7	47.8
2	Five & Ten Cent Stores	106.8	101.5	101.9	101.5	106.8	111.5	69.6
3	Furniture	31.5	124.7	127.6	124.7	127.4	127.4	89.1
5	Household Appliances	97.0	93.1	93.9	93.4	97.0	(Begun 1928)	
2	Mail Order	166.2	147.9	151.6	166.2H	149.3	152.3	82.8
4	Marine	79.6	71.5	75.9	71.5	74.9	113.4	69.5
5	Motion Pictures	105.9	99.8	99.8	104.0	102.9	120.3	96.3
36	Petroleum & Natural Gas	99.5	90.9	93.0	90.9	95.6	103.5	86.9
17	Public Utilities	111.5	127.9	137.0	141.5H	129.5	132.5	93.1
10	Railroad Equipment	28.9	125.0	125.9	125.0	128.9	128.9	100.3
2	Restaurants	105.5	98.4	100.9	98.4	104.0	(Begun 1928)	
2	Shoe & Leather	150.0	138.3	149.4	150.0	138.3	152.3	69.8
2	Soft Drinks (1926 Cl.—100)	167.1	152.9	156.9	167.1	152.9	(Begun 1928)	
11	Steel & Iron	92.5	88.5	91.1	92.5H	88.7	92.0	74.8
6	Sugar	89.5	76.3	80.8	76.3L	89.5	112.7	76.9
2	Sulphur	386.9	336.3	355.8	336.3	381.7	381.7	166.1
4	Textiles	124.2	121.4	122.8	121.4	123.5	127.1	104.6
2	Telephone	84.6	79.0	84.4	84.6	79.0	106.5	71.9
7	Rubber	99.6	87.2	95.3	87.2	96.6	97.8	64.4
8	Tobacco	190.3	180.4	182.6	180.4	190.3	193.6	159.9
4	Traction	118.5	103.8	115.5	110.5	107.6	130.0	107.6
42	Unclassified (1927 Cl.—100)	104.7	100.0	103.6	104.4	100.0	(Begun 1928)	

H—New HIGH record since 1925. L—New LOW record since 1925.  
h—New HIGH record since 1926.



(An unweighted Index of weekly closing prices, specially designed for investors. The 1928 Index includes 308 issues, distributed among 38 leading industries, and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments; and reflects all important price movements with a high degree of accuracy. Our method of making annual revisions in the list of stocks included, renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

## ANSWERS TO INQUIRIES

(Continued from page 790)

appear in prospect, and pending more definite indications of the company's ability to develop something resembling substantial and lasting earning power, it is evident the shares should be held only by those able and willing to assume considerable risk.

### TIMKEN ROLLER BEARING

In 1922 I bought 100 shares of Timken Roller Bearing at \$1 and held it for three years without much satisfaction. Since then it has more than compensated me for my patience. I am considering, however, if the stock has reached its limit to increase for some time to come and if you advise me to take my profit.—A. R. S., Philadelphia, Pa.

In its history extending over a period of nearly thirty years, Timken Roller Bearing has enjoyed a highly successful career to date. It has a practical monopoly of the tapered roller bearing industry, it being estimated that about 90% of all the motor vehicle bearing business is done by Timken. The growing use of the company's products in railroad car construction holds forth promise of adding materially to future income, although maximum benefits in the latter connection still lie some distance ahead. Since 1924 earnings have shown consistent yearly expansion, and while definite results for the full 1927 year are not yet available, net is expected to equal around \$8 a share on the 1,200,882 no par shares outstanding, against approximately \$7 a share in 1926, the latter after extraordinary charges covering special depreciation and write-offs. In view of the company's strongly entrenched position, both financially and tradewise, there seems no serious bar to further expansion of profits in ensuing years. However, present prices discount favorable progress quite some distance ahead and the shares are therefore attractive more for the long pull than for nearby prospects.

### GULF STATES STEEL

With the improved outlook for the steel business do you believe that Gulf States Steel should be held for a recovery? I paid 73 for 50 shares in 1926 and have been very much disappointed as it has not sold above 77, thereafter receding to 40.—A. L. S., Trenton, N. J.

Gulf States Steel is one of the smaller producers in its field, but is an important factor in the Southern district, specializing in wire rods, wire, bars, shapes, etc. Reflecting highly competitive conditions, together with increased transportation costs, earnings have shown a downward tendency in later years, profits in 1925 equal to \$7.17 a common share being followed by \$5.28 a share in 1926 and \$4.93 in 1927. The foregoing, together with higher fixed charges, resulted in omission of dividends on the junior shares previously



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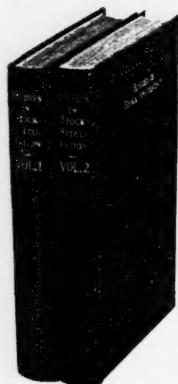
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paid at the annual rate of \$5 a share. Financing in recent months has greatly strengthened current position, and the company is now engaged on an important improvement program to accomplish further reductions in costs and greater diversification in products. General improvement is now being witnessed in the steel industry, and Gulf States is understood to be enjoying a larger business than a year ago, with prospects of further betterment in ensuing months. While resumption of dividends must necessarily await the re-establishment of wholly satisfactory earning power, shareholders seen warranted in facing the future with some degree of optimism, and we would counsel retaining the shares with a view to developments.

### COLLINS & AIKMAN

*May I have your advice about purchasing Collins & Aikman stock? I understand they have some connection with General Motors, one of the large automobile companies. The stock is high, I suppose, but my broker believes the dividend will be increased.—W. P. D., Wilmington, Delaware.*

Collins & Aikman Corporation, in its present form, is of comparatively recent inception, the company having been organized early in 1927 for the purpose of acquiring the business and assets of a number of independent textile manufacturers. The products of the company cover a wide range of textile fabrics and are distributed under the trade name of "Ca-vel." A number of important motor car manufacturers have contracted for upholstery requirements and rumors have been heard from time to time that a prominent automobile company would acquire control of Collins & Aikman. These rumors, however, have been emphatically denied by officials of the latter. Capitalization is represented by 150,600 shares of preferred stock and 597,000 shares of common stock. Financial condition is unquestionably sound and earnings during the recent past have been of a substantial volume. The only report for the present company covers a six months' period to December 31, 1927, and shows net earnings equal to \$1.68 per share on the common stock. This showing, in view of the possibility that complete coordination and maximum operating efficiency was not effected in such a short period of time, may not furnish an accurate basis for determining the ultimate earning power of the enterprise but, on the other hand, it is quite likely that any increase in dividends will be deferred until the present rate is somewhat more seasoned. On the basis of prevailing quotations, the common shares yield a low return which coupled with the absence of any definite indications justifying higher levels at this time, we rate them as unattractive for fresh commitments.

### GENERAL AMERICAN TANK CAR

*An article in your magazine about a year ago impressed me with the merits of General American Tank and later I bought some of the com-*

mon stock at 49. Would you suggest that I continue to hold the stock or would it be a good thing to take my profit?—F. A. F., Augusta, Maine.

On several occasions during the past year, we have undertaken to call attention to the General American Tank Car Corp. and the merits possessed by the company's common shares. As a result commitments made on the strength of these articles, as in your case, now show a good profit. The company is the largest manufacturer of tank cars and this branch of activity is further founded out and imparted a degree of stability by an extensive repair and rental business. The ill wind which has swept so much difficulty into the oil industry has benefited General American by creating an unusually heavy demand for tank car equipment. Earnings reported in the first half of 1927 were the largest on record and enabled the company to increase dividends from \$3 to \$4 annually. Unofficial estimates place net earnings for the full year at the equivalent of \$6.50 per share of common stock. A sinking fund operates to retire 4% of the preferred stock annually and tends to restrict actual earnings applicable to the junior shares, but gradually adds to their equity value. On the basis of indicated earnings, the shares do not appear overvalued and, in our opinion, they still provide a sound medium for those investors seeking an equity in an established enterprise offering promise of future growth, with the added inducement of a comparatively liberal yield on invested funds.

#### UNION CARBIDE & CARBON

About a year ago, you advised me to hold on to my Union Carbide and Carbon. It has since advanced 40 points but if you think it is unlikely to lose much of its gain I am willing to hold on to it. What is your opinion of the future of this stock?—S. O. M., Baltimore, Md.

There are very few enterprises which can boast of a list of diversified activities such as the Union Carbide & Carbon Corporation. The company's name gives no more than a hint of the various products which are made and sold by some thirty subsidiary companies. Limited space precludes a detailed description of the numerous properties, etc.; suffice it to say, however, that the company is strategically provided with ample sources of raw materials, factory units, water power, and a closely knit sales organization. That the company is in a position to be comparatively immune from periods of decreased business activity is well exemplified by reported earnings covering operations in 1927. Net income applicable to the 2,659,733 shares of capital stock in the nine months' period to September 30 was equal to \$6.64 per share as contrasted with \$6.26 in the same period of 1926. Moreover, it is to be remembered that substantial write-offs are made for depreciation, such charges averaging better than \$2.50 per share during the past several years. Earnings for the full year are not likely to fall short of \$10 per share, (Please turn to page 818)

FEBRUARY 25, 1928

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## REFLEX OF LOWER EARNING TREND IN SEABOARD BONDS

(Continued from page 765)

payments in arrears on this issue have been cleared up. However, the principal of the bonds, as far as repayment of the face value at maturity is concerned, is prior in security to the company's consolidated 6s of 1945. The element of speculation is largely in the matter of how much income holders of the bonds will receive during the next 21 years' life of the issue. The discount of about thirty points, spread over a period of 21 years gives an appreciation of principal at the rate of about 1½% a year. In addition, should regular income of 5% be met during this period the investor would have a straight yield of over 7%. Should the accumulations be paid up during this time the yield would be 8.6%, in the sense that these accruals reduce the cost of the investment to 58. To summarize these probabilities of income, the possible return from these bonds ranges anywhere from 1½% to 10%, with a fairly good probability that at least 7% income would be obtained.

## INVESTMENT SCOPE OF SAV- INGS BANKS TOO NARROW

(Continued from page 763)

opment, soundness and stability and consider the necessity for their further development and determine, if you can, that on one hand these groups should be deprived of the advantages to be derived from a broadening of the markets for their secured obligations, and, on the other hand, that the mutual savings banks of this state and those remaining states where public utility bonds are not yet legal, should be deprived of the use of this investment media which would afford safety, satisfactory return and a greater and much desired increase of the factor of diversification. So might be summarized the views, both of those admittedly interested in the public utility field and of the savings banks officials who, in the interests of their depositors, seem so unanimously to favor the enlargement of eligible investment to include electric light, gas and telephone securities.

Introduction of new bills looking to the enlargement of the legal list and based on the report of the joint Legislative Committee appointed at the last session and charged with formulating recommendations for the present session are expected to be presented before the Legislature before adjournment of the present session. In November, 1927, this committee, of which the Hon. Nelson W. Cheney, Assemblyman, is chairman, and which includes Senator W. Campbell, the ranking

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member from the Upper Chamber, held two public hearings in New York, listening to spokesmen for savings banks, trust companies, law firms handling estates in trust, investment bankers and municipalities desirous of assuring themselves a place on the legal list.

#### Hearings on Revision

Of these meetings it is reported that not a single objection was voiced from any source to the principle of including in the list of legal securities for savings banks in this state, not only properly secured electric light, gas and telephone securities, but also railroad equipment trust obligations and the mortgage obligations of railroad terminal properties in case where such obligations are guaranteed or otherwise sponsored by railroads having securities outstanding which qualify under the present provisions of the law.

A very imposing representation appeared to testify in favor of revision. Those who so testified represented three groups interested in seeing the legal list broadened; the savings banks with their four and three quarter million depositors, the trust companies and commercial banks with trust departments and the individual trustees. Among those representing these groups who placed these on record as favoring revision were: J. N. Babcock, vice-president, Equitable Trust Company, New York City; William L. DeBost, president, Union Dime Savings Bank, New York City; Louis Gawtry, president, Bank for Savings, New York City and president of the Savings Banks Association of the State of New York; Frank C. McKinney, of the New York Bar and author of "Trust Investments"; John J. Pulleyn, president, Emigrant Industrial Savings Bank, New York City; Herbert K. Twitchell, president, Seamen's Bank for Savings, New York City; George W. Wickersham of Cadwallader, Wickersham & Taft, New York City, and Stephen Baker, president, Bank of the Manhattan Company, New York City.

Throughout these hearings the question was raised as to the desired balance between mortgage investment and bonds, and it was the consensus that the ideal balance was 60-40 or 65-35 and that a higher percentage of mortgages did not allow sufficient liquidity and diversification. Practically every speaker emphasized the fact that savings banks realized that mortgages were their best investments, nevertheless, it was felt that conditions rendered it highly desirable that a greater scope for diversification should be afforded.

Based on the report of the Cheney committee, amendment of the law will probably follow along the lines laid down in the bills introduced in 1927. It would be interesting, therefore, to review the probable contents of these bills.

#### Probable Provisions of 1928 Bill

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likely to be the recognition, for the first time officially, of the superior merit of municipal obligations supported by power to levy an unlimited *ad valorem* tax. In those parts of the country where tax payers insist, through state constitution or statutes, on placing a limit to the tax they are willing to pay in meeting their legally incurred indebtedness, borrowing municipalities may be required to consent to seeing their obligations frowned upon by New York's legal list. There is little doubt, also, that the new bills will include provisions for placing equipment trust obligations and railroad terminal mortgage securities, meeting certain requirements, on the legal list.

The more important phase of the proposed legislation, however, will probably deal with the subject of public utilities. If the 1927 bills, which failed to become law are followed, it is likely that the new bills will provide for the placing of electric light and power, gas and telephone company mortgage obligation on the legal list, provided, in part:—

- (1) That the company is one organized and doing business in the United States and subject to regulation by a public service commission or other similar regulatory body.
- (2) That the corporation shall have franchises necessary to operate in the territory in which at least 75% of its gross income is earned, which franchises shall be indeterminate permits or agreements with, or subject to the jurisdiction of a public service commission, or shall extend at least five years beyond the maturity of the bonds.
- (3) That the corporation shall file with the superintendent of banks and make public in each year a statement and return giving the income account covering the previous fiscal year, and a balance sheet showing in reasonable detail the assets and liabilities at the end of the year.
- (4) That the outstanding capital of the corporation shall be equal to at least two-thirds of the total debt secured by the mortgage on any part or on all its property, provided, that in case of a corporation having non-par value shares, the amount of capital which such shares represent shall be the capital as shown by the books of the corporation.
- (5) That the corporation shall have been in existence for a period of not less than eight fiscal years, and at no time within such period next preceding the date of the investment, shall the corporation have failed to pay promptly and regularly the matured principal and interest of all its indebtedness.
- (6) That for a period of five years next preceding the investment the net earnings of the corporation shall have averaged per year not less than twice the average annual interest charges on its total

funded debt outstanding at the time of the investment.

- (7) That for five years next preceding such investment the gross operating revenues of the corporation shall have averaged not less than \$1,000,000 in the case of an electric and/or gas company, and not less than \$5,000,000 in the case of a telephone company, and that in each such year the corporation shall have earned or paid in dividends an amount equal to 4% upon a sum equivalent to two-thirds of its funded debt.

A further condition of eligibility may be that the bonds be part of an issue of at least \$1,000,000 in the case of an electric and/or gas company, and not less than \$5,000,000 in the case of a telephone company.

The chief mortgage requirements will probably be based upon the principle that that part of the funded debt which shall be eligible shall aggregate not more than 60% of the value of the physical property subject to the liens of such debt.

If the 1927 bills are followed, a provision will probably reappear which requires that not more than 10% of the assets of any savings bank might be introduced in legal gas and electric bonds, nor more than 10% in telephone bonds, provided, however, in each case, that no investments shall be made in these securities unless at least 50% of the assets of the savings bank shall first have been invested in real estate bonds and mortgages.

The manner in which the New York State Legislature may see fit to dispose of the questions here discussed, will be of vital interest, not only to the officials of the mutual savings banks of this state and to the 4,700,000 savings bank depositors of New York, but to savings bank officials, depositors, and state legislatures of those remaining states which have not yet legalized public utility bonds. Of the 16 mutual savings banks states, excepting New York, ten have seen fit to legalize equipment obligations, eleven provide public utility bonds in one form or another, five include bank stocks and seven admit Canadian Government and provincial issues. Why then, a prominent savings bank official asks, should the savings banks of the State of New York be denied somewhat similar opportunities.

The conservative New England States have legalized public utilities with apparently successful results to the savings banks and their depositors. New York, should it decide to enlarge the field of investment for its mutual savings banks, will merely follow the trail blazed by Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New Jersey, Pennsylvania, Maryland, California, Minnesota, Ohio and Delaware. Surely if such public utility bonds are legalized as those which meet the requirements of the Massachusetts laws, there will be no cause for complaint; and there should result a considerable benefit to the savings bank depositors of this state.

FEBRUARY 25, 1928

## B. F. Goodrich Company

Analyzed in our latest WEEKLY REVIEW

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When you invest in Cities Service Common stock you become a profit-sharing partner in a nation-wide organization. More than 20,000 men and women, employed in serving necessities of modern life to million of people in 33 states, help to earn a regular income for you.

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Why be content with earnings of 4%, 5% or even 6% on your invested funds when they can earn you 7½% with absolute safety?

Invest at least a part of your excess income in these Guaranteed Second Mortgage Certificates, sold to yield 7½%—maturing in 6 months to 5 years.

Mortgage Guarantee and Title Co. Certificates participate in sound second class mortgages on income-producing New York properties, on which first and second mortgages together do not exceed 75% of conservatively appraised valuation.

Principal and interest are further protected by a special reserve fund, maintained under the supervision of the Insurance Department of the State of New York.

As safe, short term investments of high yield, these certificates merit the consideration of every conservative investor. Inquiries gladly answered in detail.

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## Bank and Insurance Stocks

### Quotations as of Recent Date

NATIONAL BANKS		Bid	Asked
Chase (18A) .....	561	565	
Chatham & Phenix (16) .....	640	650	
Chemical (24) .....	920	935	
City (20A) .....	749	775	
Commerce (18) .....	558	563	
First (N. Y.) (100A) .....	3640	3690	
Hanover (30) .....	1275	1295	
Park (24) .....	652	658	
Public (16) .....	688	698	
Seaboard (16) .....	773	780	
TRUST COMPANIES			
Amer. Ex-Inv. Tr. (14) .....	406	410	
Bankers (20) .....	1055	1065	
Bank of N. Y. & Trust Co. (18) ..	675	690	
Brooklyn (30) .....	1270	1285	
Central Union (32) .....	1355	1370	
Empire (16) .....	440	450	
Equitable (12) .....	419	423	
Farmers' L. & T. (16) .....	700	710	
Guaranty (16) .....	628	634	
Manufacturers (20) .....	810	825	
New York (20) .....	672	680	
United States (60) .....	2800	2900	
STATE BANKS (NEW YORK)			
America (12) (V. T. C.) .....	445	455	
Corn Exchange (20) .....	600	608	
Manhattan Co. (8C) .....	562	570	
State (16) .....	598	610	
United States (12) .....	525	535	
INSURANCE COMPANIES			
Aetna Fire (24) .....	810	830	
Aetna Life (12) .....	865	875	
		Bid	Asked
{ *Fidelity-Phenix (4) .....		200	203
{ Continental new (2) .....		76	76½
Glens Falls (1.60) .....		59	62
Globe & Rutgers (40) .....		2790	2800
Great American .....		55	57
Hanover (new) .....		80	83
Hartford Fire (20) .....		845	870
{ *Home (20) .....		595	605
{ *Carolina (1.40) .....		64	68
Milwaukee Mech. (1.80) .....		56	60
National Fire (25) .....		1090	1110
Niagara (10) .....		480	490
{ *North River (5) .....		285	295
{ *United States Fire (10.40) ..		385	395
Stuyvesant (6) .....		250	260
Travelers (24) .....		1710	1730
Westchester (2.50) .....		83	87
SURETY AND MORTGAGE COMPANIES			
American Surety (11) .....		330	340
National Surety (10) .....		335	335½
Lawyers Mortgage (14) .....		334	340
Mortgage Bond (8) .....		185	195
JOINT STOCK LAND BANKS			
Chicago .....		52	60
Dallas (8) .....		115	125
Des Moines .....		16	23
First Carolina (8) .....		80	90
Kansas City .....		2	2
Lincoln (6) .....		80	90
Southern Minnesota .....		15	22
Virginia .....		2½	3¼

(A) Includes dividends from Securities Company.  
(B) Par \$5. (C) Par \$50. (E) ex-Rights.  
\*Members same group. ED—ex-Dividend.

THE market for bank stocks, which has become a dull and rather colorless affair of late, was stirred up during the past week by the reputed relationship of Giannini and Jonas interests with a new billion dollar merger in the background accompanied by spirited trading in the shares of the several institutions involved. It has been known for a considerable time by those who follow bank stock transactions that virtual control of the Bank of America has been acquired by the Financial and Industrial Corporation, an investment trust dealing in bank stocks, which in turn is controlled by the Jonas family of Manufacturers Trust Company fame.

A voting trust, established originally to block plans for a merger between the Bank of America and the trust company, was invalidated last week by the U. S. Supreme Court. Then it was learned that A. P. Giannini, head of the Bancitaly Corporation had entered the picture through purchase of a substantial interest in the Financial and Industrial Securities Corporation. Barring new legal obstacles to the plan it is now reported that the Jonas interests and the Bancitaly group will be brought into close relationship through the Bank of America situation representing a new banking alliance with resources of a billion dollars.

Bancitaly stock on the Curb was bid up to 179 on this news, the highest price on record, but later fell off on the publication of a rather dampening

statement by Giannini, while the shares of the other institutions mentioned were traded likewise in very heavy volume. Other bank stocks are inclined to mark time at this period, with rather high values pretty well sustained and earnings figures somewhat out of line with the price advances experienced during the last year.

Insurance stocks, on the other hand, show a good deal more buoyancy than the bank stocks. Year end reports now being issued by these companies exceed in many instances the most sanguine expectations. The double blessing of a good rate of earnings from investments plus a much improved ratio of losses showed up to particularly fine advantage in the recent reports of most of the fire insurance companies.

It is now disclosed that fire losses throughout the United States fell from \$393,000,000 in 1926 to a level estimated at around \$320,000,000 during 1927, representing a saving in fire losses of some seventy million dollars. This reduction is shown in spite of continued expansion of business, which has pretty well sustained the premium income of these companies, while the improvement in the ratio of losses is attributed to better underwriting methods, a wiser selection of risks and a general improvement in fire prevention conditions. The latter is the fruit of efforts inaugurated by the larger companies a long time ago and is expected to continue to work to their advantage for some time to come.

## CAN SMALL CORPORATIONS COMPETE PROFITABLY WITH LARGE CORPORATIONS?

(Continued from page 759)

selves are convinced of savings effected through well organized, closely integrated units, fused into one entity; but also because public sentiment is more kindly disposed to so-called "big business." The ultimate consumer realizes that prices at which he is able to purchase the necessities as well as the luxuries of life are in many cases the result of mass production. He knows that savings resulting from large scale unified purchasing, the control over supplies through subsidiaries or other producing units, decreased manufacturing costs and lessened competition, in part at least, eventually accrue to him in the form of lower prices. The motor car buyer of today knows that were it not for large scale production of huge combinations in the automobile industry, he could enjoy neither present price scales nor present high quality of the product. In other words, the pendulum of public sentiment, which swung against big business with such vehemence in the "trust busting" days of Theodore Roosevelt, is now swinging over in favor of the large enterprise in almost all fields of endeavor.

Under such circumstances it is to be expected that large organizations will further expand and new ones come into being. The public utility industry, for example, holds promise of larger organizations than any of those now existing, huge as some of them are. Railroads, while including many very large corporations, are still an extensive field for further mergers. Despite the many moves toward consolidations, little has been so far accomplished in clearing the legal hurdles; but the manifest savings in operation and the increased efficiency of general service associated with these combinations are too valuable to fail of ultimate realization.

In the industrial field we may expect a continuance of the present trend, in which large companies spring from consolidation of smaller ones engaged in the same line, as in the baking industry or from those whose amalgamations is on the principal of the vertical trust. That is to say, where one company's product is another's raw material, or finally where the merger of related industries rounds out the list of products and gives diversity and completeness to the line of the eventual large corporation.

Pursued to its ultimate conclusion the policy of merging logical companies and industries results in theoretical organizations which stagger the imagination with their magnitude; but the pace set during the past few years, considered in the light of mergers under contemplation, suggests that it may be necessary to widen present conceptions to admit organizations several times larger than any now existing.

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## Opportunity for Profit

The Company is firmly established, does a cash business, has no funded debt, and will have no bank loans.

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**The United Cigar Stores Company and the Schulte Company have recently purchased a block of this stock**

Over three million sales per month are being made. Gross business is at the rate of about \$1,800,000 per annum.

Sinking Fund is calculated to retire all preferred stock at \$55 per share by 1942.

The common stock should enhance substantially in value when company's plans for expansion are completed as earnings available for this stock should be well over \$5 per share.

Each share of preferred stock has a present book value of \$45.

The stock is preferred as to dividends at the rate of \$4 per share over the common stock. In voluntary liquidation this stock is entitled to \$55 per share and in involuntary liquidation to \$50 per share before distribution of assets to the common stock.

Earnings for next year are expected to exceed two and one-half times the dividend requirements on this stock and to show about \$2 per share on the common stock.

**We recommend this stock as an unusually attractive speculation**

Price { 1 share preferred } \$42 Per Unit  
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Principal and Interest Payable in Gold Coin.

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**\$12,500,000.00 for State Institutions Buildings**

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The interest will be paid semi-annually on March 1st and September 1st, the principal maturing in series as follows:

**State Institutions Buildings**—These bonds will bear a coupon rate of 3½%. \$500,000.00 maturing annually on March 1st in each of the years from 1929 to 1953, both inclusive.

**General State Improvements**—\$7,600,000.00, of which \$304,000.00 will mature annually on March 1st in each of the years from 1929 to 1953, both inclusive.

**General State Improvements**—\$2,400,000.00, of which \$48,000.00 will mature annually on March 1st in each of the years from 1929 to 1978, both inclusive.

Bidders for the General State Improvement bonds will be required to name interest rates on each issue not exceeding four per centum per annum expressed in multiples of ¼ of 1%. Comparison of bids will be by taking the aggregate of interest on all issues at the rates named in the respective bids and deducting therefrom the premium bid. No higher rate of interest shall be chosen than shall be required to insure a sale at par, and all bonds of each issue shall bear the same rate of interest.

No bids will be accepted for separate maturities, or for less than par value of the bonds nor unless accompanied by a deposit of money or by a certified check or bank draft, payable to the order of the Comptroller of the State of New York for at least two per cent of the par value of the bonds bid for.

All proposals together with security deposits must be in a sealed envelope, endorsed "Proposal for Bonds", and directed to the Comptroller of the State of New York, Albany, New York.

The net State Debt of the State of New York on January 1, 1928, amounted to \$243,289,611.07, which is less than 1% of the total assessed valuation of the real and personal property of the State subject to taxation for State purposes.

Circulars descriptive of these bonds, sinking funds, etc., will be mailed upon application to

**MORRIS S. TREMAINE, State Comptroller,**  
Albany, N. Y.

Dated February 10, 1928, at Albany, New York.

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# New York Curb Market

## IMPORTANT ISSUES

Quotations as of February 14

Name and Dividend	1928 Price Range			Recent Price	Name and Dividend	1928 Price Range			Recent Price
	High	Low	Price			High	Low	Price	
Albert Pick Barth w.t.†	10 1/2	10	10		National Fuel Gas (1).....	28	26 1/2	26 1/2	
Aluminum Co. of Amer.....	136	120	131		New Mex. & Arizona Land†	10	8 1/2	8 1/2	
Aluminum pfd. (6).....	107 1/2	105 1/2	106 3/4		New Jersey Zinc (12).....	195	180 1/2	190 1/2	
Amer. Cigar (8).....	147	140	140		Nipissing Mining (30c)*.....	5 1/2	5 1/2	5 1/2	
Amer. Cyanamid "B" (1.60).....	50	49	44		Northern Ohio Power†.....	24 1/2	18	22 1/2	
Amer. Cyanamid pfd. (6).....	98 1/2	95	98 1/2		Pacific Steel Boiler (1)*.....	13 1/2	13	12 1/2	
Amer. Gas Elec. (1)†.....	126 1/2	117 1/2	122 1/2		Phelps Dodge (6).....	129 1/2	123	124 1/2	
Amer. Super Power A (1.2)†	41 1/2	37	41 1/2		Puget Sound P. & L.†.....	46 1/2	34 1/2	45	
Assoc. Gas Elec. "A" (2 1/2).....	51 1/2	47 1/2	47 1/2		Salt Creek Producers (3)†.....	35	30 1/2	30 1/2	
Celotex Co. (3).....	62	50	51		So'east Pwr. & Lt. (new 1).....	44 1/2	42	42 1/2	
Centrif. Pipe (0.60)*.....	12 1/2	11	11		So'east Pwr. & Lt. Pfd. (4).....	87 1/2	84	85 1/2	
Cities Service New (1.2)†.....	56	54	56 1/2		Stutz Motors*.....	18 1/2	15 1/2	15 1/2	
Cities Service Pfd. (6)†.....	95 1/2	94 1/2	95 1/2		Tobacco Products Export†.....	4 1/2	3	4	
Consol. Gas of Balt. (3).....	71	67 1/2	71		Trans Lux*.....	4 1/2	3 1/2	4	
Consolidated Laundries (2)*.....	19 1/2	14 1/2	19 1/2		Tubize Artif. Silk† (10).....	505	460	460	
Durant Motors†.....	12 1/2	9 1/2	10		Tung-Sol "A" (1.80).....	21 1/2	19 1/2	20	
Elect. Bond Share (1)†.....	94 1/2	76	91 1/2		United Electric Coal (3).....	88	27	29	
Elect. Investors† (3.50 stk.).....	45 1/2	40 1/2	44 1/2		United Gas & Improvem't (4).....	118 1/2	111 1/2	115 1/2	
Fajardo Sugar (10).....	160	152	153		U. S. Gypsum (1.60).....	92	78	82	
Ford Motor of Canada (15).....	568	510	529						
General Baking A (5)*.....	88 1/2	76	86						
General Baking B*.....	10 1/2	7 1/2	9						
Glen Alden Coal (10)†.....	169	157 1/2	158						
Gulf Oil (1.5)†.....	117 1/2	101 1/2	103 1/2						
Happiness Candy Store (60).....	7 1/2	5 1/2	5 1/2						
Hecla Mining (1).....	18	16 1/2	17 1/2						
Hygrade Food Products.....	31 1/2	25 1/2	31 1/2						
International Utilities B.....	10 1/2	8	8						
Land Co. of Florida†.....	25	20	20 1/2						
Lion Oil Refining (2.25)*.....	23	22	22						
Lone Star Gas (2).....	55	52 1/2	54 1/2						
Metro Chain Store†.....	62 1/2	54	58						
Mountain Producers (2.60)†.....	28 1/2	26 1/2	26 1/2						

### STANDARD OIL STOCKS

Continental Oil.....	28	17 1/2	17 1/2
Humble Oil (1.6)†.....	68	60 1/2	61
International Pet. (.75).....	43	36	37 1/2
Ohio Oil (2.75).....	66 1/2	59 1/2	60 1/2
Prairie Oil & Gas†.....	50 1/2	45	48 1/2
Standard Oil of Ind. (2.5)†.....	80 1/2	73 1/2	74 1/2
Vacuum Oil (5)†.....	147 1/2	139	143 1/2

\*Listed in the regular way.

†Admitted to unlisted trading privileges.

‡Application made for full listing.

PRICES were irregular during the past fortnight in the New York Curb Market with a tendency throughout the list to drift along toward slightly lower levels. One of the heaviest groups during this period was the oil stocks, both independent oil company shares and the Standard Oil shares selling lower. Among the independent oil stocks, *Gulf Oil of Pennsylvania* experienced a rather precipitous drop in price to a few points above par, as compared with a high price of around 117 attained during the early weeks of the year. The Standard Oil shares, practically without exception rule at lower levels than earlier in the year, in spite of the fact that most of these companies as refinery units enjoy a relatively strong position in the industry. Reduction in dividends and the year-end reports disclosing the unfavorable status of the industry has taken a good deal of the optimism out of the oil share market at present and it is not at all unlikely that this "bad news" will continue to discourage trading in these issues for the next few months at least.

The oil shares were not by any means the exclusive weak section of the Curb list, however, for most of the industrial issues sagged off during the past fortnight and industrials were markedly unsteady. A few specialties were exceptions to this trend. *Consolidated Laundries* gained about four

points during the period under review, establishing a new high price for the year at 19 1/2. It is reported that earnings are starting to reflect the economies possible under the consolidation, which during the organization period were offset to some extent through extraordinary expenses incidental with the merger.

*U. S. Gypsum Company* stock slid to a new level for the year during the early part of the fortnight but recovered all of its loss after the publication of the annual report which showed that the company had earned over \$10 a share on the common stock in 1927. The recent recession in the market value of the shares was attributed to the falling off in building throughout the country, especially marked in residential construction where the company's products are chiefly used. Severe competition in the Gypsum industry last year was also expected to result in a sharp drop in the company's income. However, the \$10.10 a share reported for 1927 compares with \$11.35 in 1926, and in net corporate income is higher than any previous years in the history of the company, excepting only the year 1925 when the building industry was at the heights of its prosperity. The shares have now reached a level where they seem well in line with sound investment values and provide interesting profit possibilities over a reasonable period of time.

## THE FACTS ABOUT INVESTING IN FOREIGN SECURITIES

(Continued from page 761)

large number of foreign securities does not or should not come under this heading, for the true investment trust does not ever acquire sufficiently large holdings of one corporation's stock to exert a control. Moreover, it is not suited to exercise such control for the best interests of its own stockholders. An investment trust management is primarily a management of highly skilled investors, and very rarely is it a management of capable operating men, certainly not capable of directing operations in a score of different types of industry. The investment trust with a large foreign portfolio may be an excellent medium for investment, when it cleaves to its primary purpose, but it is not what we have in mind here.

The advantages of the management holding company are very striking in foreign investment. Such a company may specialize in one certain type of industry, as does the foreign subsidiary of the Electric Bond & Share Company, the American & Foreign Power Company, Inc., or the International Telephone & Telegraph Corporation. In both these corporations, the active management service of the corporation is at least as important as its purely investment function of supplying capital. There is no reason why a corporation of this type should not widen its field to include several related industries.

In either case, we have: A corporate structure which is basically American. Outside of certain corporations engaged in certain types of foreign activities, which would bring them directly under the provisions of the Edge Act, the Webb-Pomerene Law or the China Trade Act, such corporations would probably have to be formed under the corporation laws of one of the forty-eight states.

In the second place, the supreme directing power of such a corporation's management would necessarily be American, representative of the bulk of the stockholders, and also reasonably likely to proceed in accordance with American national interests or at least not contrary thereto.

In the third place: A corporation of this type can secure and give to the foreign subsidiaries the very best type of American operating management. It can secure the services of Americans versed in foreign economic engineering, capable of supplementing the work of the technical operating staffs with a thorough knowledge of foreign economic conditions.

Finally, by securing a substantial financial interest on the part of local (foreign) interests in the various subsidiaries operating in their own districts (where this is possible), a large step can be made toward offsetting any jealousy of the "foreigner" (in this case, the American).

(Please turn to page 812)

## Devoe & Raynolds Co., Inc.

And Subsidiaries

Annual Report for the Year Ending November 30, 1927

To the Stockholders:

January 31, 1928.

The Annual Report of the Company for the Fiscal Year ended November 30, 1927, duly audited by Messrs. Peat, Marwick, Mitchell & Company, will be found below:

The net profits for the year, after deducting Federal and State Income Taxes, depreciation and all other deductible items, amounted to \$930,122.87, an increase of \$30,067.29 over the preceding year.

The Company paid out in dividends on Preferred and Common Stocks during the twelve months ended November 30, 1927—\$515,121, leaving \$415,001.87 which has been carried to surplus. In accordance with our established policy of not carrying good-will as an asset, the entire purchased good-will of Wadsworth, Howland & Co., Inc., amounting to \$126,546.42 has been written off of our surplus account, giving us a total surplus amounting to \$2,536,581.71.

The Consolidated Balance Sheet shows the Company to be in excellent financial condition with cash on hand of \$461,530.97, with no contingent liabilities or notes payable, other than \$145,350, which are longtime obligations of Wadsworth, Howland & Co., Inc., due in 1928, 1929 and 1930.

The total sales for the year amounted to \$13,474,240.85, an increase of \$2,100,043.35 over 1926, and the highest sales volume ever obtained by the Company.

Decreased selling prices on our main products caused a substantial reduction in gross profit during the major portion of the year, which was overcome by greater sales activities with the resulting increase in profits as indicated above.

The inventory amounting to \$3,226,791.78 has been priced on the basis of cost or market, whichever proved to be the lower, and taken with the utmost care.

A modern up-to-date varnish plant adjoining our Chicago paint factory is in the process of erection and will be in complete operation by March 1, 1928, opening additional avenues of sales in the Middle West.

During the past year the Management has been particularly pleased with the spirit of loyalty and cooperation shown by the entire personnel and feels that the formation of the "Devoe Service Clubs," which are explained in detail on the adjoining pages, will play a large part in the development of an esprit de corps that will be second to none.

The Management feels that conditions affecting our industry are fundamentally sound and that satisfactory increases in sales and profits will be obtained in 1928.

Respectfully submitted,

E. S. PHILLIPS,  
President.

### CONSOLIDATED PROFIT & LOSS ACCOUNT

For the Year ended November 30, 1927, and  
Comparison with the Year ended November  
30, 1926

	Year ended November 30th 1927	1926
Profit on Operations....	\$1,243,513.08	\$1,123,153.24
Additions:		
Interest and Discounts Received, and Miscellaneous Profits....	116,874.44	166,908.84
	\$1,360,387.52	\$1,290,062.08
Deductions:		
Discounts allowed, Miscellaneous Expenses and Adjustments ..	279,326.20	246,306.16
	\$1,081,061.32	\$1,043,661.92
Provision for Federal Income Tax .....	150,938.36	143,606.84
Net Income .....	\$930,122.87	\$900,055.58

### CONSOLIDATED SURPLUS ACCOUNT

For the Year ended November 30, 1927

Surplus as at November 30, 1926....	\$2,229,747.23
Net Income for the Year ended November 30, 1927 .....	930,122.87
Sundry Surplus Adjustments.....	18,379.03
	\$3,178,249.13

#### Dividends:

First Preferred Stock....	\$125,636.00
Second Preferred Stock....	85,485.00
Common Stock .....	324,000.00

\$515,121.00

Purchased Good-will written off .....	126,546.42
	641,667.42

Surplus as at November 30, 1927 .....	\$2,536,581.71
---------------------------------------	----------------

### BALANCE SHEET

ASSETS		LIABILITIES	
Real Estate, Buildings, Equipment, Machinery, etc., less Depreciation....	\$2,990,096.89	Capital Stock:	
Investments (Book Value) .....	45,728.16	First Preferred 7% Cumulative, Par \$100.00 .....	\$1,747,300.00
First Preferred Stock—Purchased in Advance of Sinking Fund Requirements and Cash on Deposit with Trustee .....	9,857.59	Second Preferred 7% Cumulative, Par \$100.00 .....	935,500.00
Current Assets:		Common:	
Cash .....	\$461,530.97	Class "A"—95,000 Shares, No Par Value .....	3,191,666.67
Notes Receivable—Customers .....	105,990.85	Class "B"—40,000 Shares, No Par Value .....	1,333,333.33
Accounts Receivable—Customers, less Reserves .....	3,031,448.73		\$7,207,800.00
Miscellaneous Accounts Receivable .....	49,235.16	Current Liabilities:	
Inventories .....	3,226,791.78	Notes Payable of Affiliated Company acquired Due 1928, 1929 and 1930 .....	\$145,350.00
Prepaid Insurance, Advertising Stock, etc. ....	293,772.51	Accounts Payable .....	491,840.42
Charges Deferred to Future Operations .....	270,031.74	Accrued Taxes and Expense .....	183,511.25
Advertisement .....	\$10,565,083.88	Surplus .....	2,536,581.71
			\$10,565,083.88
		Contingent Liabilities—None.	

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## San Francisco Stock and Bond Exchange

**T**HIS table is published regularly for the convenience of those of our subscribers and readers who are, or may be, interested in leading Pacific Coast securities.

### Bank and Public Utility Stocks

	Div. Rate	1927-28		Last Sale Feb. 16
		High	Low	
Anglo & London Paris Nat. Bank.....	\$10.00	256	195	229
Bancitaly Corporation .....	2.24	180	89½	180
Bank of Italy, new .....	5.24	287½	171	287½
East Bay Water A. Pfd.....	6.00	99	96½	96¾
Federal Brandes .....		31½	97	30
Great Western Power Pfd.....	7.00	105½	101	105½
Los Angeles Gas Pfd.....	6.00	109½	98¾	108¾
Pacific Telephone & Tel. Pfd.....	6.00	124	102	121¾
Pacific Gas & Elec.....	2.00	49¾	31¼	48½

### Industrials and Miscellaneous

Alaska Packers' Assn.....	8.00	185	160	160
California Packing .....	4.00	79½	61	73¾
California Petroleum .....	1.00	33	19	24¼
Caterpillar Tractor .....	1.40	597	26¾	57½
Foster & Kleiser (em).....	1.00	19	12	16
Hale Brothers .....	2.00	36½	27½	27½
Hawaiian Coml. Sugar .....	3.00	53½	48	52¼
Hawaiian Pineapple .....	1.80	56	42	43
Home Fire & Marine .....	1.60	49	28½	44¼
Honolulu Cons. Oil .....	2.00	42¼	33¾	35½
Hunt Brothers Packing "A" .....	2.00	26¼	22	24½
Illinois Pacific Glass "A" .....	2.00	53½	22	51½
North American Oil .....	3.60	48	28¾	38¾
Paraffine Common .....	3.00	98¾	53¾	95¾
Richfield Cons. Oil .....	1.00	28½	14¾	24½
Schlesinger A Common .....	1.50	26¼	20	26¾
Shell Union Oil .....	1.40	31¾	24	24¼
Southern Pacific .....	6.00	125	106½	120¾
Sperry Flour Common .....		70½	44	63½
Spring Valley Water .....	6.00	110	101¼	106
Standard Oil of Calif.....	2.50	60¾	50¾	53¾
Union Oil Associates .....	1.99	56½	37¾	42
Union Oil of California .....	2.00	56¼	39½	43¾
Yellow & Checker Cab "A" .....	.80	11¼	7¾	10¾
Zellerbach Corporation .....	2.00	54¼	28	52½

Over a period of years, other substantial benefits would accrue, due to the training of the foreign operating personnel to the use of American operating methods and equipment, which would finally tend to turn more and more business to American sources, even in cases where the operating companies might not be directly under American ownership or control. This would be a most valuable help to sales of other American merchandise, thereby meeting one of the pseudo objections to foreign investment previously referred to.

A further advantage is that the American investor in a management and holding company of this type has an opportunity to acquire a thorough knowledge of foreign investment and foreign conditions, without being obliged to depend entirely on a foreign management or control of his investment. The inevitable errors in judgment will be less costly, because the American management would be made

up of a higher type of executive than might be available to smaller concerns engaged in only one enterprise and because the investment strength which the investment trusts secure by diversification would also be obtained to a considerable degree.

Attention has already been drawn to the fact that Europe is in less urgent need of our capital than was formerly the case. Indeed some European centers are even again finding money available for investment outside their own countries and the writer has on his desk right now a compilation of recent data regarding the foreign interests of German banks. These interests extend to every important commercial quarter of the globe and present a most formidable and impressive array in certain South American countries. While these banks are what, in this country, are thought of as commercial banks, it must be borne in mind that the great German banks have always taken a more direct and active

part in the direction of their industrial corporations than has been the case with our banks.

Under these conditions of reviving banking strength abroad opportunities for profitable investment in the older established foreign countries and industries will tend to become more and more restricted as time goes on. Some authorities predict that 1928 or immediately thereafter will bring a sharp decrease in the amount of such foreign investments available, as well as in the rate of income they will give to the investor.

Be this as it may, it is very clear that it will be to the less developed parts of the world that we shall have to look for the more urgent needs of new capital and for the opportunities to more profitably employ our surplus capital. It is inevitable that tens of millions of American dollars will seek these channels, and it certainly seems most desirable that this capital be invested under the direction of American management, working in harmony with American banking sponsorship. In such a situation more intelligent effort can be made toward building up future strength and financial profits, without requiring any undue sacrifice of the bankers' legitimate profits as a merchandiser of securities.

One point that should give this field of investment and this type of corporation a special attraction to the American investment bankers and the American investing public is that the development of most of these newer countries will call for the solution of problems very similar to those which we have solved in the opening up of our own country and our northern neighbor, Canada. In short, there will be a peculiarly good opportunity for the exercise of those abilities which we have developed with so marked a degree of success here at home. Certain adaptations in detail will be required, but that is about all.

Admirable work has already been done in the development of our foreign interests. Excellent work is being done today and the criticisms which are sometimes heard are often as ill-informed as they are unfair and superficial. The development of the management holding company idea, which has already been so efficiently used in the development of American industry, seems to suggest itself as the next and most natural step for the increase of American overseas interests along sound lines.

#### Dividends

### The Mengel Company

The Board of Directors of The Mengel Company, February 15th, 1928, declared the regular quarterly dividend of 1 1/4% on the Preferred Capital Stock of the Company, payable March 1st, 1928, to Stockholders of record at the close of business February 20th, 1928.

J. C. DORMAN, Secretary.

Any Preferred Stock to be transferred should be sent to this office, Eleventh and Dumesnil Streets, Louisville, Ky.

J. C. DORMAN, Secretary.

Louisville, Ky., February 15th, 1928.

FEBRUARY 25, 1928



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<b>SAN DIEGO</b>	<b>BUTTE</b>	<b>FRENCH LICK</b>	<b>MONTREAL</b>
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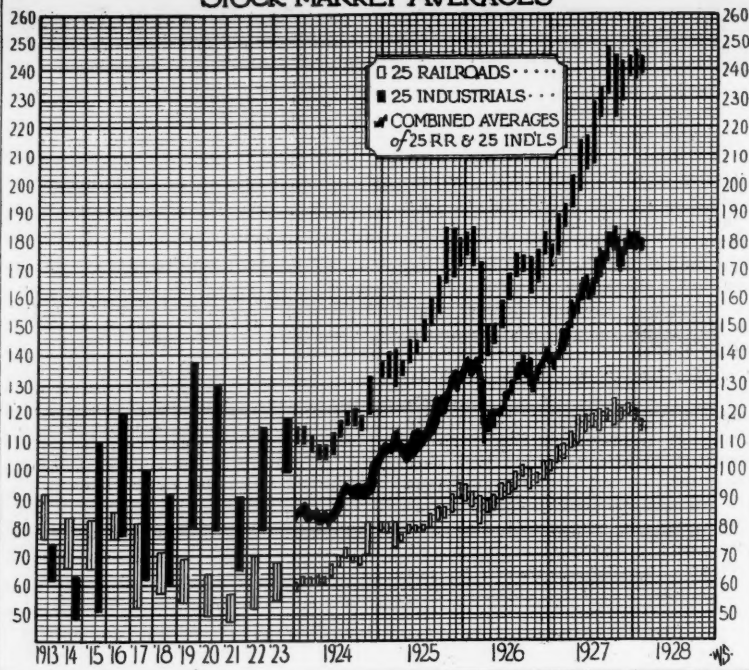
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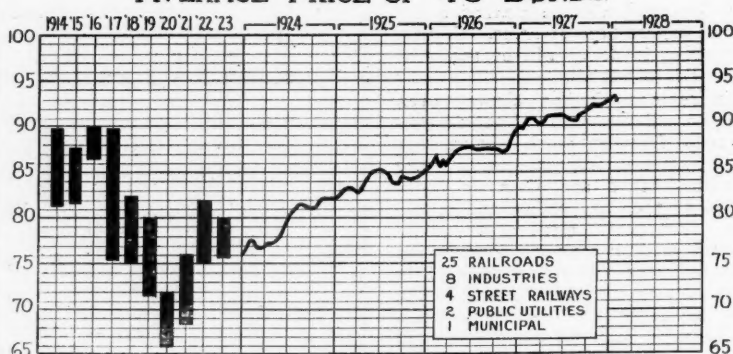
## STOCK MARKET AVERAGES



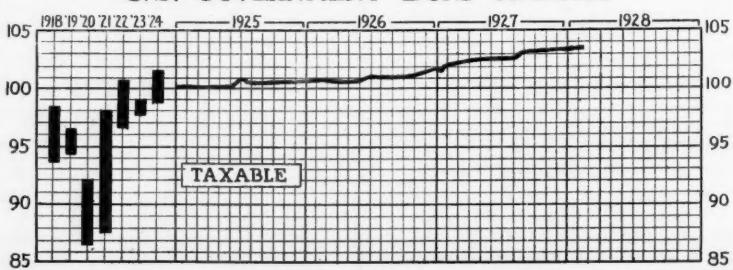
## MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Aves. 20 Indus.	N. Y. Times 20 Rails	50 Stocks High	Low	Sales
Thursday, February 2	93.15	199.20	138.44	180.81	179.37	2,152,740
Friday, February 3	93.08	196.30	135.26	179.92	177.90	2,718,230
Saturday, February 4	92.94	196.53	134.89	178.33	177.07	1,406,390
Monday, February 6	92.89	196.63	134.38	178.96	177.39	2,047,490
Tuesday, February 7	92.69	196.85	133.35	179.24	176.14	3,009,010
Wednesday, February 8	92.73	197.86	133.33	177.94	176.03	2,709,990
Thursday, February 9	92.80	199.35	133.88	179.76	176.75	2,990,920
Friday, February 10	92.76	199.02	134.03	179.35	177.41	2,178,590
Saturday, February 11	92.73	199.16	134.91	179.53	178.22	1,269,640
Monday, February 13						
Tuesday, February 14	92.74	197.93	134.46	179.81	178.06	2,019,790
Wednesday, February 15	92.67	197.59	134.01	178.89	177.33	1,948,890

## AVERAGE PRICE OF 40 BONDS



## U.S. GOVERNMENT BOND AVERAGE



## NATURAL GAS INDUSTRY AS A FIELD FOR INVESTMENT

(Continued from page 781)

20,000 newspaper pages, covering approximately an acre of space.

In spite of its undoubted industrial usefulness, the production of carbon black by burning natural gas has met considerable hostility on the ground that it constitutes a waste of the valuable natural resource, and restrictive legislation has been passed in several of the gas producing states, particularly in the newer Southwestern region. It seems clear, however, that the natural gas producer, obtaining only 12 cents or less per thousand cubic feet, if he burns his gas to make carbon black would naturally prefer to sell his gas to some other consumer at 25 cents a thousand or better if he could find such a market for it, and consequently produces carbon black only as a last resort when he cannot sell his gas elsewhere in order to obtain some return on his investment in developing the field. The carbon black business while not especially profitable requires little plant investment and constitutes a valuable stop gap for surplus gas production pending development of a commercial outlet. This end of the business, too, has no public utility characteristics and its prices have been set in a competitive and unfavorable market, although its gross sales constitute only a few per cent of the total revenues of the natural gas industry.

### Helium Gas

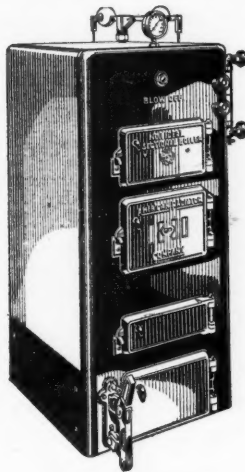
The production of helium gas, which has replaced hydrogen in filling modern type dirigible balloons, has been a romantic but not practically important development of the industry. Before the war, helium was a scientific curiosity, cost about \$1,500 a cubic foot to produce, and there were about 10 cubic feet of it in the laboratories of the world. Shortly after our entry into the war, the Government undertook its production on a commercial scale and brought its cost down to 2½ to 4½ cents a thousand cubic feet. The latest information available is that no helium is being produced in this country except by the Government, whose requirements run about 10,000,000 cubic feet a year, of which present equipment suffices to produce only 50 or 60%. A large dirigible requires 2,000,000 cubic feet and has to be refilled twice a year, about 85% of the previous helium content being recoverable. Only a few natural gas wells contain helium in sufficient quantities, .5% or more, to render extraction feasible under present methods, although plentiful supplies of gas containing .4 and .3% are available. Some day helium may be a valuable adjunct to the natural gas industry but it is not today.

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## Bonds Called for Redemption

Company	Rate	Maturity	Amount	Price	Redemption date
American Rolling Mills Co.	6%	1938	All bds.	104½	July, 1928
Argentine (Government of) A.	6%	1957	\$54,500	100	March, 1928
Associated Oil Company	6%	1935	\$1,230,000	102½	March, 1928
Associated Electric Company	5½%	1946	\$10,000,000	105	May, 1928
Atlanta Gas Light Company	6%	1970	All bds.	106	April, 1928
Central Public Service Company	6½%	1929	All bds.	101	July, 1928
Central States Electric Corp.	6%	1945	All bds.	105	March, 1928
Central States Power & Light Corp.	5½%	1928	All bds.	100¼	March, 1928
Central States Power & Light Corp.	6%	1930	All bds.	101	May, 1928
Central States Power & Light Corp.	6%	1945	All bds.	105	June, 1928
Chicago, Rock Island & Pacific Ry.	5%	1929	All bds.	100½	March, 1928
Chicago & Western Indiana Ry. Co.	6%	1932	\$43,000	105	March, 1928
Chile (Republic of), 25-year	8%	1946	All bds.	110	May, 1928
Chile (Republic of), 20-year	8%	1941	All bds.	110	Aug., 1928
Continental Gas & Elec. Corp. A.	6½%	1964	All bds.	105	April, 1928
Denver Gas & Electric Company	5%	1949	\$57,000	105	May, 1928
Kentucky (State of) warrants	*	*	Var. bds.	..	Jan., 1928
Madison Square Garden Corp.	7%	1945	All bds.	105	March, 1928
National Electric Power Co.	5%	1945	All bds.	104½	March, 1928
National Dairy Products Corp.	6%	1940	All bds.	103½	March, 1928
Nebraska (State of)	*	*	Var. bds.	100	Jan., 1928
Missouri Edison Company A.	6½%	1940	All bds.	105	May, 1928
Mortgage Bond Co. of New York	4%	1966	\$8,800	100	April, 1928
New York, New Haven & Hartf Ry.	7%	1928-35	All bds.	103	April, 1928
Ohio Power Company, C.	6%	1953	All bds.	106	March, 1928
Ohio Power Co., The, 1st & ref. C.	6%	1953	All bds.	106	March, 1928
Paris-Orleans R. R. Company	7%	1954	All bds.	103	Sept., 1928
Pennsylvania Water & Power Co. A.	5½%	1953	All bds.	106½	March, 1928
Public Service Corp. of New Jersey	6%	1944	All bds.	..	March, 1928
Public Service Corp. of New Jersey	5½%	1945	All bds.	..	March, 1928
St. Louis-San Francisco Ry. Co.	6%	1930	All bds.	100	March, 1928
Toledo Edison Company	7%	1941	All bds.	107½	March, 1928
Western States Gas & Electric Co.	5%	1941	All bds.	105	Jan., 1928
Western Power, Light & Telephone..	6%	1929	All bds.	102	Feb., 1928

\* Not stated.

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# Statistical Record of Business

	Week Ended Feb. 11, '28	Week Ended Feb. 18, '28	Year Ago
Volume Stock Exchange Transactions (Shares) .....	14,264,536	10,758,410	12,197,276
Average Price Magazine of Wall Street Index .....	115.0	109.2	100.7
Volume Bond Transactions...	\$66,906,000	\$55,986,650	\$70,521,400
Average Price 40 Bonds.....	92.69-92.74	92.40-92.74	90.39-90.53
Brokers' Loans (Federal Reserve) .....	†\$3,835,020,000	†\$3,819,385,000	\$2,718,634,000
Comm'l. Loans Federal Reserve Member Banks.....	\$8,579,620,000	\$8,617,444,000	\$8,570,390,000
Federal Reserve Ratio.....	74.1	74.	78.4
Gold Holdings .....	\$2,985,065,000	\$2,980,811,000	\$3,158,076,000
Rediscount Rate, N. Y.....	4%	4%	4%
Call Money .....	4¼%	4¼%	3¾%
Time Money (90 days).....	4¼-½	4½-5%	4¾-½
Commercial Paper .....	4-4¼	4-4¼	4-4¼
Acceptances (90 days).....	3½-5%	3¾-½	3¾-¾
Dun's Business Failures .....	546	520	484
Weekly Food Index (Bradst's)	\$3.30	\$3.27	\$3.47
	(Jan. 1)	(Feb. 1)	(Feb. 1)
Wholesale Prices (Bradst's) ..	\$13.57	\$13.52	\$12.51

### Industrial Barometers

	December	January	Year Ago
U. S. Steel Unfilled Tonnage...	3,972,874	4,275,947	3,800,177
Steel Ingot Production.....	3,150,345	3,959,904	3,759,877
Pig Iron Production .....	2,695,755	2,866,468	3,103,820
Pig Iron Furnaces in Blast....	170	169	203
Automobile Production .....	134,381	133,178	173,415
Building Permits (Bradstreet's)	\$246,876,772	\$216,209,537	\$214,906,777
Petroleum Production (bbls.)..	74,108,000	.....	72,061,000
Bituminous Coal Production (net tons) .....	45,312,000	40,558	56,880,000
*Copper Production (short tons) .....	67,222	68,728	76,200
Cotton Consumption (bales)...	543,598	582,417	603,242
Spindles active .....	31,715,000	31,697,876	32,635,706
Wool Consumption (lbs).....	46,321,945	.....	45,679,612
Railroad Earnings .....	55,476,000	.....	80,175,000
% on Railroad Property invested .....	2.68	.....	3.98
Car loadings .....	4,172,605	3,447,723	3,756,660

### Foreign Trade

	December	January	Year Ago
Merchandise Exports .....	\$409,000,000	\$411,000,000	\$419,402,000
Merchandise Imports .....	\$331,000,000	\$338,000,000	\$356,841,000
Gold Exports .....	\$77,849,000	\$52,086,000	\$14,890,000
Gold Imports .....	\$10,431,000	\$38,320,000	\$59,355,000

### Distributive Trades

	December	January	Year Ago
Mail Order Sales .....	\$59,500,000	\$37,465,618	\$35,237,228
Chain Store Sales (5 & 10 cent stores) .....	\$85,600,000	.....	\$68,380,000
Department Store Sales (index number 1919-100) .....	237	.....	234

\* U. S. Mines. † Feb. 8. ‡ Feb. 15.

(Continued from page 815)

dustry is very promising in the direction of increasing industrial utilization through more intensive use by old customers and extension to new industries. Increase of domestic demand through larger consumption per capita in such directions as househeating and gas fired refrigeration, also offers opportunities for expansion which are being exploited, the industry now turning its attention to sales where formerly the center of gravity lay in production and later in rate making. Expansion through increase in the number of domestic consumers, apart from the normal growth of urban population will probably be a slower development. It may be stated broadly that any community will use natural gas if it can get it rather than manufactured gas, as being both cheaper and better and just as well serviced. Some progress is being made, however, in opening up new communities to natural gas service through pipe line construction, facilitated by the increasing popular interest in natural gas securities which makes it possible to lay long and expensive pipe lines. Development of the chemical end of the natural gas business through the isolation of valuable hydro-carbons, both gaseous and liquid from the natural gas to be worked up into relatively high priced chemicals such as butanal, chloroform, methyl chloride, etc., holds forth great promise but is still in the laboratory stage, corresponding to the position of the by-products from coal distillation some fifty or sixty years ago.

While the industry, as a whole, is in a very promising investment position, the intending purchaser should remember that in many important respects, it is not a public utility business—its basic assets are wasting, not permanent ones, and a large part of its revenue is from sources which do not come under the protection of public authority, and that conditions vary so widely with respect to different companies that individual issues must be judged as to conservatism, probable future, and possible value of stock option warrants or similar privileges, on their individual merits.

## CANADIAN PACIFIC

(Continued from page 779)

is certain to be an uninterrupted need for reinvestment of surplus earnings in order to be properly prepared for potential expansion, and as a result holders of the ordinary stock for some time to come should base their hopes on enhancing equities rather than on any prospect of any increased cash return on their investment.

In contrast to the situation generally existing among railroads in the United States, Canadian Pacific has a capital structure wherein stock predominates. Giving effect to the sale of new ordinary stock, there will be 435 millions par value of preference and ordinary

# Office Appliance and Equipment Service Department



Because of the tremendous amount of correspondence we handle in connection with our Inquiry Department as well as on account of the attendant minute book-keeping and accounting problems, we had to equip our offices with practically all the outstanding time saving and efficiency increasing devices on the market. As a matter of fact, we are replacing continuously these devices by improved ones as they are being put on the market. We want to give our readers the benefit of our experience and tests covering twenty years and will be glad to answer any requests for information as to how we have conquered the problems that of necessity have arisen in an organization as large as ours. In addition to such information we will arrange to have our readers supplied with literature dealing with the solution of their particular case.

There is no charge or obligation connected with this service, but we shall be glad to have you check the information desired on the coupon below and, ATTACHED TO YOUR BUSINESS LETTERHEAD, mail to O. A. & E. S. Department, c/o The Magazine of Wall Street, 42 Broadway, New York City.

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February 25, 1928

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This small fortune can be yours—unconditionally guaranteed to you—on an investment of \$63 monthly for 120 months. Investors Syndicate Certificates are secured by \$110 in conservative first mortgages for every \$100 of liability. In addition, they are unconditionally guaranteed by a third-of-a-century-old house with assets in excess of \$19,000,000.

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Established 1894

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New York Office:  
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Offices in Principal Cities

NAME .....

ADDRESS .....

THE POWER OF TIME & MONEY

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## 7% With Safety

Our Full Paid Certificates, secured by First Mortgage Notes on improved real estate, pay 7% per annum—dividends payable July 1st and January 1st. Instalment and Prepaid Certificates are participating and now earning 9%. State supervision insures the safety of your investment.

Located at El Paso, Texas, where real estate values are not inflated.

Send for descriptive literature.

People's Building & Loan Ass'n

Authorized Capital \$15,000,000

205 No. Oregon St., El Paso, Texas

Alabama

## 8% on Monthly Savings and on Fully Paid Certificates

in amounts from \$50.00 to \$5,000.00 withdrawable on thirty days' notice. Secured by First Mortgages on Homes not to exceed 60% of valuation.

ALABAMA MUTUAL BLDG. & LOAN ASSOCIATION

2012 Fourth Avenue, Birmingham, Ala.  
Under Supervision State Banking Dept.

stock against 343 millions in funded debt, exclusive of certain obligations, guaranteed as to interest only, of railroads in this country controlled by stock ownership, of which the most important is Minneapolis, St. Paul & Sault Ste. Marie. The funded debt uniformly bears a low interest rate, and the bulk of it consists of what is known as Perpetual Consolidated 4% Debenture Stock, which is in the nature of a general mortgage upon the entire property without maturity. The preference stock, the only stock issue prior to the ordinary stock, likewise is limited to a 4% return, and as a result total annual charges on obligations prior to the equity shares consume only about one-third of net revenues, a condition responsible in part for the high degree of stability in the ordinary stock.

Confidence in Canadian Pacific is not predicated on the near prospect of a segregation of non-railroad activities. The ordinary shares present a picture of present investment worth supplemented by the probability of much greater things to be accomplished in the years to come, and, from the standpoint of the future in particular, are far from being excessively valued in the present market.

## ANSWERS TO INQUIRIES

(Continued from page 803)

thus providing present dividends with a good margin of safety. The unquestionably sound financial position of the company, and the absence of any funded debt or preferred stock, except \$13,635,650 and \$6,350,000 respectively of subsidiary companies, places the stock in a strong position with relation to property equities and earning power. The shares, in our opinion, have distinct merit for the longer pull but in view of the substantial gain in market value during the past year might conceivably suffer a sharp technical decline in a reactionary securities market.

### P. LORILLARD

I am a stockholder in P. Lorillard Company and have been very much disappointed by the action of the stock and the company's earnings since 1925. I had thought that the new cigarette brand they had put out was going to result in the company increasing its earnings to around the figures it used to be able to show. What do you think of the future of this stock?—A. R. J., Chicago, Ill.

P. Lorillard & Company, formerly one of the leading manufacturers of cigars, cigarettes, and smoking tobacco, has been gradually relegated to a secondary position in the tobacco industry, by the ever-increasing popularity of low priced cigarettes containing domestic tobacco. The company was forced to stand aside and see its competitors prosper, solely because it had no popular brand with which to compete on an equal basis. As a consequence earnings underwent a sub-

## Money

is conveniently available when invested in our

8%

## FIRST MORTGAGE DEMAND BONDS

Interest payable quarterly by coupon attached, negotiable in any bank.

We operate under supervision of State Banking Department.

Write for folder "S" for further information.

## ORLANDO LOAN and SAVINGS COMPANY

Wall Street Orlando, Florida  
Established 1922

Florida

## 8% With Safety

Shares in the Orange County Building & Loan Association have always paid 8%, payable semi-annually. Association operates strictly under State supervision and on mutual plan. Assets have grown from \$11,000 to \$3,340,997.81 in six years, and \$641,633.78 has been paid in dividends to 3,000 stockholders. Shares for sale at par, \$100, without bonus or commission of any kind. Write for our free booklet, "8% and Safety." No obligation.

ORANGE COUNTY BUILDING & LOAN ASS'N.  
Orlando, Florida

Dividends

## The North American Company

QUARTERLY DIVIDEND No. 96 ON COMMON STOCK

A Quarterly Dividend of 2 1/4% on the Common Stock will be paid on April 2, 1928, in Common Stock, being at the rate of 1/40th of one share for each share held of record at the close of business on March 5, 1928.

QUARTERLY DIVIDEND No. 27 ON PREFERRED STOCK

A Quarterly Dividend of 1 1/2% (75c a share) on the Six Per Cent. Cumulative Preferred Stock will be paid on April 2, 1928, to stockholders of record at the close of business on March 5, 1928.

ROBERT SEALY, Treasurer.

New York, February 17, 1928.



"A Fixed Investment in America's Prosperity"

Booklet on request

American Basic-Business Shares Corporation, Depositor

67 Wall Street, New York  
The Equitable Trust Co. of N. Y., Trustee



## Building & Loan Associations

We will be glad to answer questions regarding the protection afforded to investors in Building & Loan Associations by the laws and regulations of the states in which they are located.  
Address Building & Loan Ass'n Dept., c/o The Magazine of Wall Street, 42 Broadway,  
New York City



### New Jersey

ASSETS OVER 2,300,000.00

## GEM BUILDING and LOAN ASSOCIATION

502 High Street NEWARK, N. J.

earn over **7%** on your investment

This Association has paid dividends of over 7% compounded annually to its shareholders since organized 1919. Send for Booklet W.M.

Under supervision State Banking Dept. New Jersey

### Texas

For the prudent INVESTOR

## Southland Investment Certificates

(Full paid or Pre-paid Shares)

Dividends Payable January and July

The prudent investor wants first—safety, then "better-than-average" return. Building and loan meets these requirements. This association has for distribution a folder, entitled "Building and Loan as an Investment," that is very informative and interesting to any prospective investor. Sent free upon request.

## SOUTHLAND BUILDING & LOAN ASSOCIATION

G. A. McGregor, V-Pres. and Secy.  
1204 Main St. Dallas, Texas

### Florida

FOR MARCH RE-INVESTMENTS purchase our Full Paid Shares. 8% dividends payable 2% quarterly. In New York exchange if desired. Conservative management. State supervision and complete tax exemption features. Mail inquiries receive prompt attention.



### Colorado

## 7% Guaranteed Income Payable Quarterly

Full-paid certificates. 5-year term. \$50 to \$10,000—in bond form. Interest coupons attached. Interest to \$300 exempt from Federal income tax. Protected by the safest known type of real estate mortgages and by our substantial permanent capital—plus state supervision. Write for folder "C".

### Announcing

#### Change in Interest Rate

Conforming with the present conservative trend, interest rate on our 5-year 7% Income Time Certificates will be reduced to 6½% effective April 15, 1928. This does not affect investments made prior to April 15, 1928.

### Silver State Bldg. & Loan Assn.

1648 Welton St. Denver, Colo

MEMBERS: the Colorado Bankers Assn., and the Colorado State and United States Bldg. & Loan Leagues.

## 7% GUARANTEED INCOME

Payable Either Quarterly or Semi-Annually

Short-term, full-paid certificates maturing in five years. Secured by first mortgages on homes in and around Denver, plus a conservative contingent reserve fund and rigid state supervision.

Issued in units of \$50.00 to \$5,000.00. Interest to \$300 exempt from Federal Income Tax.

INSTALLMENT SHARES earn an 8% dividend if carried to maturity.

Write for Booklet MW

### The Old Conservative

The Bankers Bldg. & Loan Ass'n.

1510 Glenarm St. Denver, Colo.

Member Colorado State League and United States League of Building and Loan Associations. The Colorado Bankers' Association.

### Oklahoma

### 1927 WAS THE BEST YEAR IN OUR HISTORY

We paid our investors more than \$431,000.00 in semi-annual interest dividends; set aside \$45,000.00 in reserve fund to protect our investors, making this protection fund approximately \$155,000.00 at this time; and closed our books with 27 borrowers out of 2,200 owing us only \$1,175.66 in delinquent interest.

Our Eighteenth Semi-annual Report to investors is ready for distribution giving full details about every department of our business. We shall be glad to send you a copy. Remember! We pay 6½% on full paid investments and 7½% on savings.

Ponca City Building & Loan Co.  
Masonic Bldg., Ponca City, Okla.

Name .....  
Street .....  
City .....

### Florida

## 8% and safety

This Company has the proud record of not having lost a dollar, not having foreclosed a mortgage, has always met withdrawals on demand and has always paid 8 per cent dividends, payable 2 per cent, quarterly. We do not employ solicitors nor charge a membership fee on investments with us. All stock is non-assessable and is sold at par and redeemed at par plus earned dividends.

Member "League of Florida Bldg. and Loan Association"  
Member "U. S. League of Local Building and Loan Associations"

Member "American Savings, Building and Loan Institute"

APRIL 5, 1921, \$0.00

MCH. 31, 1922, \$147,608.20

MCH. 31, 1923, \$272,463.58

MARCH 31, 1924, \$500,130.44

MARCH 31, 1925, \$750,097.73

MARCH 31, 1926, \$1,208,168.28

Dec. 31, 1927, \$1,952,459.49

Authorized Capital \$5,000,000

Application for loans far exceed our available funds. We respectfully solicit your investments.

## Home Building & Loan Company

E. M. MILLER, SEC.-TREAS.

Under State Supervision

16 and 18 Laura Street, Jacksonville, Fla.

Phone 5-6025

### ONE OF

## Florida's Safest Investments

Shares in the

## Lakeland Building & Loan Association

### ASSETS

More than .....\$1,000,000.00

We have never failed to more than earn and pay our dividend which is payable 2% quarterly January 1st. April 1st, July 1st and October 1st of each year. Your investment is secured by first mortgages on homes only. We have shareholders in nearly every state. Write for descriptive literature. Incorporated 1921.

P. O. Drawer 629 M.W.

LAKELAND

FLORIDA

### Texas

## 8% NON-TAXABLE INVESTMENTS

Full paid certificates issued in multiples of 100 dollars, interest payable quarterly in cash. No fees. Interest paid to date of cancellation after 90 days from date of issuance. Write for particulars.

Texas Plains Bldg. & Loan Association  
107 West Sixth St., Amarillo, Texas.



# PRINCE of WALES HOTEL

—adjoining  
Glacier National Park



COMMANDING a stupendous view of both the Canadian Rockies of Waterton Lakes National Park and the American Rockies of

Glacier National Park, this thoroughly modern hotel offers every facility for a delightful vacation in Northwest Adventureland. Come out this summer. Motor, ride horseback, play golf, cruise enchanting lakes, enjoy hotel appointments and a cuisine designed for the most discriminating. Low summer fares include travel on the luxurious New Oriental Limited.

## GREAT NORTHERN

ROUTE OF THE NEW ORIENTAL LIMITED

Mail the Coupon

A. J. DICKINSON, Passenger Traffic Manager  
Great Northern Ry., St. Paul, Minn.  
Please send me free books about the new Prince of Wales Hotel in Waterton Lakes National Park and about Glacier National Park. I am especially interested in:

- ☐ General Tour of the Parks
- ☐ Pacific Northwest Tours
- ☐ Burlington Escorted Tours



Name \_\_\_\_\_

Address \_\_\_\_\_

M.W.-2-25

stantial decline during the past two or three years, a condition which has found reflection in the market value of the common stock. Some time ago, however, a change in management was made, drastic economies in operations were effected, and efforts were directed toward the introduction of a new brand of low priced cigarettes known as "Old Gold." That the company might have sufficient funds to carry on an extensive advertising campaign, dividends were omitted on the common stock and \$15,000,000 in debenture bonds were sold early in 1927. In view of the marked increase in fixed charges and heavy outlay of funds for national advertising purposes, it is therefore not surprising that earnings applicable to the common stock failed to register any appreciable gain last year. After allowing for all operating expenses, fixed charges, and preferred dividends, the common stock earned \$1.25 per share as contrasted with \$2.58 per share in 1926. It was officially stated, however, that the value of gross sales was greater than in 1926, and the management has expressed itself as satisfied with the progress being made in the sale of the new brand. The company's balance sheet reveals a sound financial position and with the bulk of the ground work now completed, it now remains for the company to demonstrate the merits of its new product in the face of very efficient and strenuous competition. Contingent upon its success in that respect, the junior shares are not without possibilities for enhancement in value over a period of time but for the present a gain in market value is likely to await further evidence of the company's progress.

### GENERAL OUTDOOR ADVERTISING

*I bought General Outdoor Advertising in 1926 at 29½ and sold it last year at 44 and it afterwards advanced to 58. I am thinking of repurchasing the stock. Do you think this is a wise thing to do?—L. E. K., Boston, Mass.*

The General Outdoor Advertising Co. was formed several years ago and following the completion of organization plans, including the acquisition of over twenty independent companies, attained the foremost position in the field of outdoor advertising. The advertising structures of "General" are known throughout the United States and it is estimated that about half the population of the country is reached by the various media of the company. The management has been energetic in effecting closer coordination of various units and placing operations on the most efficient and profitable basis possible. Earnings reported in 1926 were equivalent to \$3.50 per share of common stock, indicating a fair margin of safety for \$2 annual dividends on the junior shares. The report for 1927, while not bearing out previous estimates, was, on the whole, fairly satisfactory and net, after all charges and dividends on the Class A shares, was equal to \$3.58 per share on the 642,382 shares of common stock. The company



..the newest  
proof of  
Statler  
thoughtfulness

..radio  
in every  
room!

Over-night or over-Sunday in a strange city—nowhere to go—nothing to do—that's when you most appreciate this newest Statler service.

While you lounge comfortably in your Statler room, you can enjoy the radio as you would at home. Choice of two carefully selected programs, with superlative reception, always available. And there's no charge for this entertainment.

Plan your trip to be in a Statler over Sunday. You're sure of a pleasant week-end.

*Emoraxer*

There are Statler Hotels in:

BOSTON

BUFFALO (Hotel Statler and Hotel Buffalo)

CLEVELAND

DETROIT • ST. LOUIS

NEW YORK (Hotel Pennsylvania, Statler-Operated)

## Hotels Statler

7,700 Rooms with bath and radio reception. Fixed, unchanging rates posted in all rooms.

IDEAS  
SERVICE  
COMMODITIES

# THE OPPORTUNITY EXCHANGE

## A Clearing House For Business Men

MEN  
AGENTS  
BUSINESS  
OPPORTUNITIES

### Printing

**LITHOGRAPHED LETTERHEADS**

**\$1.25 per 1000**

IN LOTS OF 50,000  
25,000 at \$1.50—12,500 at \$1.75 or  
6,250 our Minimum at \$2.25 per 1000  
Complete—Delivered in New York

**ON OUR 20 LB. WHITE PARAMOUNT BOND**

A Beautiful, Strong, Snappy Sheet  
HIGHEST GRADE ART WORK AND ENGRAVINGS  
GEO. MORRISON COMPANY  
552 West 22nd St. New York City  
SEND FOR BOOKLET OF PAPER AND ENGRAVINGS

### Meetings

### Independent Oil and Gas Company

#### Notice of Annual Meeting of Stockholders

Notice is hereby given that the Annual Meeting of the Stockholders of Independent Oil and Gas Company, a corporation organized under the laws of the State of Delaware, will be held at the offices of the company in Tulsa, Oklahoma on Monday, March 12, 1928, at 2:00 o'clock P. M., for the purpose of considering and transacting the following business:

1. To elect directors for the ensuing year.
2. To transact any and all other business of any and every kind that may arise or come before the said meeting or any adjournment thereof.

For the purpose of voting at this meeting, a record of stockholders will be taken at the close of business February 20, 1928.

JOHN E. CURRAN, Secretary.

### Dividends and Interest



February 14, 1928.

The Board of Directors of the Metro-Goldwyn Pictures Corporation has declared a quarterly dividend of 1% on the Preferred Stock of this Company, payable on the 15th day of March, 1928, to stockholders of record at the close of business on February 25th, 1928.

Checks will be mailed.

DAVID BERNSTEIN, Treasurer.

### Underwood Elliott Fisher Co.

The Board of Directors of Underwood Elliott Fisher Company at its regular meeting, held February 9th, 1928, declared a regular quarterly dividend of \$1.75 per share on the Preferred, a regular quarterly dividend of \$1.75 per share on the Series B Preferred and a dividend of \$1.00 per share on the Common Stock of the Company, payable April 2nd, 1928, to stockholders of record March 17th, 1928.

D. W. BERGEN, Treasurer.

### Republic Iron & Steel Company PREFERRED DIVIDEND NO. 94

At a meeting of the Board of Directors of the Republic Iron & Steel Company, the regular quarterly dividend of 1% on the Preferred Stock was declared payable April 2nd, 1928, to Stockholders of Record March 15th, 1928.

RICHARD JONES, JR., Secretary.

FEBRUARY 25, 1928

### Business Opportunities

#### CAPITAL WANTED

I have several thousand acres of choice Oil land located in the La Barge and Dry Piney Oil fields of Wyoming. I would like to deal with parties having sufficient capital to drill this ground. For full particulars write

FRANK HLACHUN

Kemmerer

Wyoming

### Dividends and Interest

#### ARMOUR and COMPANY

The Board of Directors of Armour and Company met on Feb. 17 and declared the following dividend:

ARMOUR and COMPANY  
(ILLINOIS)

A quarterly dividend (1 3/4%) on the preferred stock, payable Apr. 1, 1928, to stockholders of record Mar. 10, 1928.

ARMOUR and COMPANY  
OF DELAWARE

A quarterly dividend (1 3/4%) on the preferred stock, payable Apr. 1, 1928, to stockholders of record Mar. 10, 1928.

WILLIAM P. HEMPHILL  
Secretary

### Canadian Pacific Railway Company

#### DIVIDEND NOTICE Dividend No. 127

At a meeting of the Board of Directors held today the following dividends were declared:

On the Preference Stock, two per cent for the half-year ended 31st December last;

On the Common Stock, two and one-half per cent for the quarter ended 31st December last from the railway revenues and Special Income;

Both dividends are payable 31st March next to Stockholders of record at three p. m. on 1st March next.

By order of the Board.

ERNEST ALEXANDER,  
Secretary.

Montreal, 13th February, 1928.

### AMERICAN TELEPHONE AND TELEGRAPH COMPANY

#### 154th Dividend



The regular quarterly dividend of Two Dollars and Twenty-Five Cents (\$2.25) per share will be paid on Monday, April 16, 1928, to stockholders of record at the close of business on March 15, 1928.

H. BLAIR-SMITH, Treasurer.

### THE DETROIT EDISON COMPANY

60 Broadway, New York, February 6, 1928.

A quarterly dividend of Two Per Cent. (\$2.00 a share) on the Capital Stock of the Company will be paid on April 16, 1928, to stockholders of record at the close of business on March 20, 1928. The stock transfer books of the Company will not be closed.

S. C. MUMFORD, Treasurer.

### Dividends and Interest



### MIDDLE WEST UTILITIES COMPANY

#### Notice of Dividend on Prior Lien Stock

The Board of Directors of Middle West Utilities Company has declared a quarterly dividend of Two Dollars (\$2.00) upon each share of the outstanding Prior Lien Stock, having a par value of \$100 a share, and One Dollar and Fifty Cents (\$1.50) upon each share of the outstanding \$6 Cumulative Non Par Prior Lien Stock, payable March 15, 1928, to the holders of such Prior Lien Stock, respectively, of record on the Company's books at the close of business at 5:00 o'clock P. M., February 29, 1928.

EUSTACE J. KNIGHT,  
Secretary.

### Beneficial Loan Society

WILMINGTON, DEL.

#### 76th Payment to Bondholders



#### Profit Sharing No. 20

Bondholders' profit sharing of 1 1/2% covering the six months' period ending January 31 has been declared, payable on or after February 15, 1928, on all profit sharing debenture bonds to owners of record January 31. This payment represents a total of 52% in profit sharing paid to the original bondholders since the Society was organized in 1913.

In addition to the above profit sharing the Society has paid its first 56 quarterly interest coupons as they matured at the rate of 6% per annum to same bondholders, making a total of 84% in interest. Original bondholders therefore have received since 1913 by interest and profit sharing payments 136% of par on their bonds.

ERNEST A. BAILEY, Treasurer.

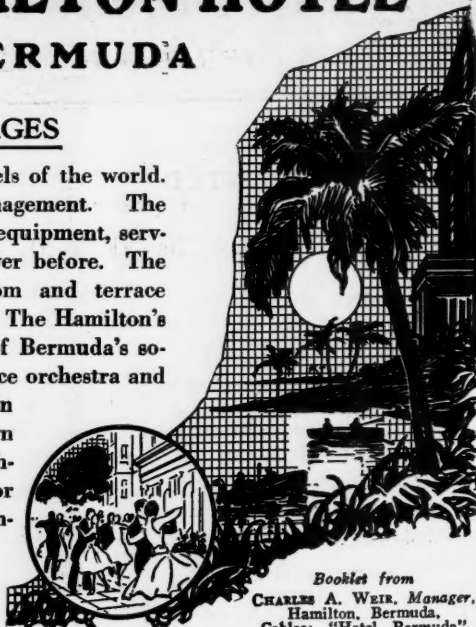
# The HAMILTON HOTEL

## BERMUDA

### ADVANTAGES

One of the famous hotels of the world. Now under new management. The Hamilton offers better equipment, service and cuisine than ever before. The new large terrace room and terrace roof garden will add to The Hamilton's prestige as the center of Bermuda's social life. Excellent dance orchestra and entertainers. Golf on seven courses. Our own tennis courts and bathing island. Outdoor sports all winter. Entirely fireproof.

Moderate rates.



Booklet from  
CHARLES A. WEIR, Manager,  
Hamilton, Bermuda.  
Cables: "Hotel Bermuda"

## BERMUDA

Quite the right place this winter. . . . The most charming people from both sides of the Atlantic have decreed it so. . . .

Winter temperature 60° to 70°.

Only two days from New York.

Sailings twice weekly by palatial, new motorship "BERMUDA" 20,000 tons gross and twinscrew, oil-burning S.S. "FORT VICTORIA".

The most discriminating guests praise the new Hotel Bermudiana and the St. George Hotel.

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## FURNESS BERMUDA LINE

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### THE UNITED GAS IMPROVEMENT CO.

N. W. Cor. Broad and Arch Streets  
Philadelphia, Pa., February 8, 1928.

The Directors have this day declared a quarterly dividend of two per cent. (\$1.00 per share) on the Capital Stock of this Company, payable April 14, 1928, to stockholders of record at the close of business March 15, 1928.

Checks will be mailed.

I. W. MORRIS, Treasurer.

### GUANTANAMO SUGAR COMPANY

The Board of Directors has this day declared a Dividend of two dollars (\$2.00) per share on the Preferred Stock, for the quarter ending March 31, 1928, payable April 2, 1928, to stockholders of record at the close of business March 15, 1928. The Transfer Books will not be closed.

JOHN WOLFFERT, Secretary

New York, February 9, 1928.

### TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a distribution of \$1.00 per share on the Company's 2,540,000 shares of capital stock without nominal or par value, payable on March 15, 1928, to stockholders of record at the close of business on March 1, 1928.

Stockholders will be advised later as to what portion of said distribution is from Free Surplus and what from Reserve for Depletion.

H. F. J. KNOBLOCH, Treasurer.

Ask our Travel Department to aid you in planning that winter vacation—where to go and the best way of reaching it.

appears to face a favorable outlook but the common stock, at this time, does not seem undervalued and near term prospects appear well discounted by prevailing quotations. Moreover, the participating feature of the class A shares which permits the issue to share equally with the common in any dividends in excess of \$2 per share, tends to retard the common stock marketwise. The "A" shares are callable at \$60, beginning this year and may possibly be redeemed in the not distant future. However, pending developments we would not select the common shares as an attractive purchase except for the longer pull.

### Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Annual Rate	Amount Declared	Stock Payable	Record Date
\$1.00 Curtiss Aer. & Mot. cm.	\$0.50	SA 3-1	3-15
7% Curtiss Aer. & Mot. pf. 3 1/4 %	SA 3-1	3-15	
.... Curtiss Aero. & Motor.	\$0.50	Spl 3-1	3-15
5.00 Eastman Kodak	\$1.25	Q 2-29	4-1
.... Eastman Kodak	\$0.75	Ext 2-29	4-1
6.00 Eastman Kodak pfd.	\$1.50	Q 2-29	4-1
6.00 Mid. W. Util. pr. ln.	\$1.50	Q 2-29	3-1
8.00 Mid. W. Util. pr. ln.	\$2.00	Q 2-29	3-1
7.00 Nat. Sugar Refs. cm.	\$1.75	Q 3-5	4-2
1.40 Shell Union Oil	\$0.35	Q 3-1	3-31
6.00 Southern Pacific	\$1.50	Q 2-24	4-2
10.00 Un. Pacific cm.	\$2.50	Q 3-1	4-2
4.00 Un. Pacific pfd.	\$2.00	SA 3-1	4-2
5.00 Am. Tel. & Cable	\$1.25	Q 2-29	3-1
4.00 Atlas Powder	\$1.00	Q 2-29	3-10
3.52 B'ng'r & Ar's't'k cm.	\$0.88	Q 2-29	4-1
7.00 B'ng'r & Ar's't'k pfd.	\$1.75	Q 2-29	4-1
.... Bethl. Steel cm.	1 1/4 %	Q 3-5	4-2
7.00 Bucyrus-Erie pfd.	\$1.75	Q 3-10	4-2
1.00 Bucyrus-Erie cm.	\$0.25	Q 3-10	4-2
2.50 Bucyrus-Erie cv. pfd.	\$0.63 1/4	Q 3-10	4-2
2.00 By-Prod. Coke	\$0.50	Q 3-5	3-30
4.00 Calif. Pkg.	\$1.00	Q 2-29	3-15
2.00 Calumet & Hecla	\$0.50	Q 2-28	3-15
2.40 Childs cm.	\$0.60	Q 2-24	3-10
7.00 Childs pfd.	\$1.75	Q 2-24	3-10
2.50 Chile Copper	\$0.63 1/4	Q 3-2	3-30
.... Coty, Inc.	.6%	Stk 3-1	3-15
8.00 Cumb'l'd P. L.	\$2.00	Q 2-29	3-15
.... Cumb'l'd P. L.	\$3.00	Ext 2-29	3-15
9.00 Del. & Hud.	\$2.25	Q 2-27	3-30
8.00 Diamond Match	\$2.00	Q 2-29	3-15
.... Diamond Match	\$1.00	Ext 2-29	3-15
7.00 G'drich, B. F., Co. pfd.	\$1.75	Q 3-9	4-2
.... Kresge, S. B., Co. cm.	\$0.40	Ext 3-10	3-31
1.30 Kresge, S. B., Co. cm.	\$0.30	Q 3-10	3-31
7.00 Kresge, S. B., Co. pfd.	\$1.75	Q 3-10	3-31
.... Kroger Groc. & Bak's	.5%	Stk 3-10	4-2
1.75 Lou'r. G. & E. "A"	\$0.43 1/4	Q 2-29	3-30
1.75 Lou'r. G. & E. "B"	\$0.43 1/4	Q 2-29	3-30
7% Nat'l Lead pf. A	1 1/4 %	Q 3-2	3-15
3.00 Nat'l Radiator cm.	\$0.75	Q 3-2	3-15
8.00 Norfolk & West'n cm.	\$2.00	Q 2-29	3-15
7% Pressed Steel Car pfd.	1 1/4 %	Q 3-1	3-31
6.00 Prophylactic Br. pfd.	\$1.50	Q 2-29	3-15
2.00 Pub. Ser. of N. J. cm.	\$0.50	Q 3-8	3-31
6.00 Pub. Ser. N. J. pfd.	\$0.50	M 3-8	3-31
2.00 Pub. Ser. N. J. pfd.	\$1.75	Q 3-8	3-31
8.00 Pub. Ser. N. J. pfd.	\$2.00	Q 3-8	3-31
7% Radio pfd.	1 1/4 %	Q 3-1	4-1
2.00 St. J. Lead	\$0.50	Q 3-9	3-30
.... St. J. Lead	\$0.25	Ext 3-9	3-30
8.00 Sanitary Grocery	\$2.00	Q 3-5	3-15
0.50 Tenn. Cop. & Chem.	\$0.12 1/2	Q 2-29	3-15
1.00 Trans. & Williams	\$0.25	Q 3-1	3-15
10.00 U. S. Cast Iron P. & F. cm.	\$2.50	Q 3-1	3-15
7.00 U. S. Cast Iron P. & F. pfd.	\$1.75	Q 3-1	3-15
4.00 U. S. Realty & Imp.	\$1.00	Q 2-24	3-15
7.00 U. S. Steel	\$1.75	Q 2-29	3-30
2.00 Vacuum Oil	\$0.50	Q 2-29	3-30
.... Vacuum Oil	\$0.50	Ext 2-29	3-30
10% V. Vivaudou	2 1/4 %	Stk 3-5	3-31

## INCOME TAX DEPARTMENT

(Continued from page 788)

General Motors Stock that I had previously received as a dividend. The sale brought in \$25,211. Is this entire amount taxable? G. H. P.

A. The amount received from the sale of a stock dividend is not all income. The profit is the difference between the sales proceeds and the cost of the stock. Stock acquired as a dividend is deemed to cost a proportionate part of the amount paid for the original stock on which the dividend was issued. For example, if you originally paid \$100 for one share of stock and then you received another share as a stock dividend, you would have two shares at the cost of one. That is to say, each share would be regarded as costing you \$50. Whatever you sold the stock for in excess of \$50 a share would be a taxable profit.

### Depreciation on Real Estate

Q. In May, 1923, I bought two houses in this city for \$4,000. During the past year I sold them for \$5,000. In regard to depreciation, not having deducted same during the time I had these properties, would I have to allow for same during the past four years, or would it be necessary to only take off depreciation for the past year? P. J. A.

A. You are required to consider previous depreciation in figuring the profit on the sale of the property, even though you did not deduct the depreciation in your income tax returns for previous years. I assume that the houses were bought by you for investment. If they were used as your residence, you do not have to consider the depreciation, since you were not permitted to deduct depreciation in your previous returns.

### Sale of Inherited Stock

Q. Will you kindly advise me how to determine the profit for income tax purposes in the following case: United States Liberty Bonds were subscribed for at time of issue. They were inventoried at the time of owner's death in 1919 at the then market price around 95. During the past year they were sold. C. E. C.

A. As I pointed out in a recent article, there is a conflict between the Department and the courts as to the treatment of such transaction as you outline. The courts say that the profit is the difference between the sales price and the inventory price. The Department says it is the difference between the sales price and the cost to the decedent.

## EMBARRASSING MOMENTS

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# CRUCIBLE STEEL COMPANY OF AMERICA

TWENTY-SEVENTH ANNUAL REPORT—FOR THE FISCAL YEAR ENDING DECEMBER 31ST, 1927

Office of Crucible Steel Company of America  
15 Exchange Place, Jersey City, N. J.  
January 25, 1928.

## TO THE STOCKHOLDERS:

The Board of Directors submits herewith, its twenty-seventh annual report of operations for the fiscal year ending December 31, 1927.

Included herein is a certified consolidated balance sheet showing the financial condition of the Company and its subsidiaries on that date.

## PROFIT AND LOSS:

Operating Profits (after deducting Federal and other taxes)	\$7,891,262.39
Other Income	1,003,235.48
	\$8,894,497.87
Less: Repairs and Maintenance Expense and Depreciation and Renewal of Plants	\$3,050,269.72
Interest on Bonds	227,083.40
	3,277,353.12
Net Profit	\$5,617,144.75
Deduct, Dividends	5,049,937.00
	\$567,207.75
Amount Added to Surplus	

You will note the earnings of your Company have decreased this year due to the very sudden and severe decline in the volume of business, particularly, during the past six months. Your Company has produced more High Speed, Stainless and Tool steels this year than during any year since 1920. The volume of tonnage steels known as Electric and Open Hearth grades has decreased in comparison with the volume produced in the corresponding six months of 1926. This does not mean that your Company has not manufactured its proportionate share during this period but reflects the actual drop which has taken place in the entire steel industry for the last half of 1927. We are pleased to announce that our determination to maintain our reputation for making the highest quality of Tool Alloy and High Speed Steels has been appreciated by the trade. In spite of the great decline in the steel industry as a whole we have been able to maintain our position with the trade in these lines. We are more convinced than ever that it is not the intention of the steel users to sacrifice the question of quality by purchasing their requirements strictly on a price basis without regard to the quality of their manufactured products.

**GENERAL BUSINESS CONDITIONS:** Your Chairman stated in the last annual report that from the best information obtainable, it was believed that the year 1927 would be one which would show as large a volume of business as 1926. With your Company this proved true for the first six months but it is well known that the severe decline in business in the last half of 1927 changed all estimates and predictions that were made. Your Company's business for December shows a material advance in both orders and production and the general feeling in the industry is one of optimism. Public statements, which have been made recently by those who are in a position to obtain the best forecasts possible indicate that we can look forward to 1928 with confidence that the steel industry will give a better account of itself than it has in the past six months. Your Chairman believes the fundamental conditions in the country are sound and there is every indication for prosperity in practically every line of industry. The manufacturers are buying only their requirements from day to day. There is no large stock of material on hand. Business in practically every industry reflects the actual volume of business both manufactured and used, so that there is no menace of any kind from excessive stocks in any of the industries using this Company's products.

There has been no lowering of the rate of wages paid in the steel industry; manufacturers having no disposition to consider a lower wage scale for the business of the country. Buyers in certain industries have made efforts to purchase their materials at prices which do not yield a fair return to the producers and this has been particularly true of some steel purchasers. However, the steel manufacturers do not believe that these purchasers of steel have a desire to bring about conditions that would force the passing of dividends and the lowering of wage scales in order to meet the demands for lower prices.

The steel and its allied industries have expended millions for the most economical machinery and equipment and have made every effort to economize in every way that the manufacturing costs might be reduced to the lowest point possible.

It is now believed that if further price concessions are demanded, they must be met by the passing of dividends and by the reduction of the wage scales now existing.

Our opinion, which we believe is shared by those in positions to judge, is that such wage adjustment would not lead to any genuine betterment of conditions but would on the other hand, result in a marked lessening of the purchasing and consuming power that has existed.

We can take no other view of the situation than that there will prevail a sane and sensible co-operation of all the forces in the steel industry and allied industries, and for that reason we expect 1928 to be one of prosperity.

The volume of business of the Crucible Steel Company of America as indicated by unfilled orders on its books for the several dates mentioned below, is as follows:

December 31, 1925	153,025 Tons
June 30, 1926	126,140 Tons
December 31, 1926	159,314 Tons
June 30, 1927	74,263 Tons
December 31, 1927	128,799 Tons

You will observe that the unfilled tonnage on our books at the various dates above outlined, indicates the change in the business which has been reflected in our reports.

The books and accounts have been audited by Crockett, Couchman and Crawford, Members American Institute of Accountants, whose certificate as to the correctness thereof is annexed.

By order of the Board of Directors,  
H. S. WILKINSON, Chairman.

## CRUCIBLE STEEL COMPANY OF AMERICA and Subsidiary Companies

### CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1927

ASSETS		LIABILITIES	
<b>Property:</b>		<b>Capital Stock Issued and Outstanding:</b>	
Real Estate, Plant, Equipment, Goodwill, Trade Marks, etc. (after provision for Depreciation, Depletion and Amortization)	\$85,009,398.64	Preferred: 250,000 Shares 7% Cumulative	\$25,000,000.00
		Common: 550,000 Shares	\$50,000,000.00
			\$80,000,000.00
<b>Investments:</b>		<b>Bonds of Subsidiary:</b>	
U. S. Government Securities (deposited with the New York State Industrial Commission)	\$67,000.00	Pittsburgh Crucible Steel Company, 5% First Mortgage Bonds, due serially \$250,000.00 per annum	4,500,000.00
Other Securities	20,840.00		
	87,840.00	<b>Current Liabilities:</b>	
<b>Current Assets:</b>		Accounts Payable	\$3,282,028.77
Cash on Hand and in Banks	\$3,633,224.38	Accrued Taxes and Interest	523,012.11
Listed Securities (At less than Market Value)	6,375,000.00	Dividend on Common Stock payable January 31, 1928	825,000.00
Notes Receivable	114,919.15		4,630,040.88
Accounts Receivable	\$4,897,749.32	<b>Surplus:</b>	
Less Reserves	330,934.55	Appropriated:	
Inventories of Finished and Semi-Finished Products, Raw Materials and Supplies	15,653,203.42	For Fire, Marine and Accident Insurance	\$788,448.61
	30,343,161.72	For Contingencies	500,000.00
			\$1,288,448.61
<b>Deferred Charges to Operations:</b>		Unappropriated:	25,267,076.54
Taxes, Insurance, Interest, etc., paid in advance	245,165.67		26,555,525.15
<b>ADVERTISEMENTS</b>	<b>\$115,685,566.03</b>		<b>\$115,685,566.03</b>

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